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Fifth annual progress report on the strategic heritage plan of the United Nations Office at Geneva

Report of the Secretary-General

Summary

The present progress report on the strategic heritage plan of the United Nations Office at Geneva is submitted pursuant to section X of General Assembly resolution 70/248 A, in which the Assembly approved the overall scope, schedule and estimated cost of the project, section XVIII of resolution 71/272 A and section XVI of resolution 72/262 A. It covers the period from 1 September 2017 to 31 August 2018 and provides an update on the activities undertaken since the fourth annual progress report of the Secretary-General (A/72/521). It contains the further information requested by the Assembly in its resolutions 70/248 A, 71/272 A and 72/262 A and provides updated information on flexible workplace strategies, cost estimates, possible schemes of assessment and alternative funding mechanisms, including the utilization of future surplus valorization income related to United Nations-owned land.

The strategic heritage plan project continues to proceed in accordance with the approved maximum overall cost of CHF 836.5 million, within the approved total duration of nine years (2014–2023) and the approved scope and quality targets described in the previous annual progress reports of the Secretary-General. As recommended by the Advisory Committee on Administrative and Budgetary Questions in its report (A/72/7/Add.25) and endorsed by the General Assembly in its resolution 72/262 A, the Secretary-General has continued to review the situation with regard to ventilation and cooling in the existing Palais des Nations buildings and confirms his recommendation to implement mechanical ventilation in those buildings as part of the strategic heritage plan.

The General Assembly is requested to take note of the present report and the progress made since the issuance of the fourth annual progress report of the Secretary-General; approve the request of the Secretary-General to proceed immediately with the implementation of ventilation and cooling, including flexible workplace strategies, in the historic buildings of the Palais des Nations, taking fully into account the

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imperative to preserve their heritage, and authorize the use of surplus valorization income to offset any related increase in the overall appropriation and assessment on Member States for the project and, in that regard, appropriate the additional amount of CHF 10 million for 2019; decide on the scheme of appropriation and assessment for the project, as recommended in paragraph 98, and on the currency of appropriation and assessment; approve the establishment of a multi-year special account for the project; and take note of the intention of the Secretary-General with regard to the financing of the future annual repayments of the loans.

I. Introduction

1. The present progress report on the strategic heritage plan of the United Nations Office at Geneva is submitted pursuant to section V of General Assembly resolution 68/247 A, section III of Assembly resolution 69/262 A, section X of Assembly resolution 70/248 A, section XVIII of Assembly resolution 71/272 A and section XVI of Assembly resolution 72/262 A.

2. The present report summarizes the planning and construction-related actions accomplished since 1 September 2017. The financial information contained herein is based upon the available data as at 31 July 2018.

II. Update on project governance

A. Advisory Board

3. The Advisory Board held four meetings during the reporting period: in October 2017, February 2018, June 2018 and September 2018. The Advisory Board also visited the construction site of the new permanent building H in July 2018 to see the construction works being undertaken. Key issues considered by the Advisory Board since the most recent report included the implementation of flexible workplace strategies, including the importance of ventilation and cooling in the historic Palais des Nations buildings to ensure their effective implementation in those areas; project progress; financing and schemes of assessment; and the progress of valorization activities. At its most recent meeting, in September 2018, the Advisory Board expressed its full support for the request of the Secretary-General to proceed immediately with the implementation of ventilation and cooling, including flexible workplace strategies, in the historic buildings of the Palais des Nations, taking fully into account the imperative to preserve their heritage, and use surplus valorization income to offset any related increase in the overall appropriation and assessment on Members States in that regard.

B. Steering Committee

4. The Steering Committee held three meetings during the reporting period, in January, June and August 2018. The Co-Chair of the Committee (the Under-Secretary-General for Management) and the Assistant Secretary-General for Central Support Services also visited Geneva during the reporting period, receiving more in-depth briefings and holding further discussions on the progress and key issues of the project.

5. The Steering Committee continues to ensure the monitoring and assurance of the project's progress against the established timelines and budget and reinforces the requirement for close management of the project's scope and control. Key issues taken up by the Committee during the reporting period included the information and communications technology strategy in relation to conferencing and its coordination with Headquarters, ventilation and cooling in the historic Palais buildings and the optimal implementation of flexible workplace strategies therein, further progress made with regard to valorization activities and the continuing actions being taken to manage and mitigate emerging risks and budget pressures.

C. Project assurance

1. Independent and integrated risk management

6. Following a recommendation from the Board of Auditors and in line with paragraph 8 of the report of the Advisory Committee on Administrative and Budgetary Questions (A/71/622), the risk management services contract was amended to fully distinguish between two distinctly separate functions: independent quarterly risk management reporting, which is provided to the governance levels independent of the project team; and integrated monthly risk management reviews that are carried out as an integral part of the work of project management team. Further to the findings of the most recent report of the Board of Auditors on the strategic heritage plan (A/73/157), the risk management strategy for the project is in the process of being updated to align more closely with the United Nations guidelines for the management of construction projects.

2. Board of Auditors

7. Since the previous reporting period, the Board of Auditors has conducted two further extensive audits of the strategic heritage plan at the United Nations Office at Geneva during the periods from 18 September to 20 October 2017 and from 29 January to 9 February 2018. The latest recommendations resulting from the visits during the reporting period are contained in the most recent report of the Board of Auditors on the strategic heritage plan.

8. The latest observations and recommendations by the Board of Auditors on the strategic heritage plan, together with those contained in chapter II of their previous report (A/72/5 (Vol. I)) and the status of their implementation, are summarized in annex III of the present report. As confirmed by the Board of Auditors in their most recent report, all the recommendations contained in their first report on the strategic heritage plan (A/70/569) have been fully implemented or overtaken by events.

9. The next full audit visit to be undertaken by the Board of Auditors specialist external audit team is planned to be conducted from 12 to 30 November 2018.

D. Management of the strategic heritage plan

10. In its most recent report (A/73/157), the Board of Auditors concurred with the full implementation of the recommended adjustment to the governance structure to preclude any risk of conflicts of interest. The governance structure for the project now reflects the fact that the project executive role is undertaken by the Director of Administration, under the direction of the project owner, and the role of senior user is undertaken jointly by the Director of Conference Management and the Chief of Central Support Services of the United Nations Office of Geneva.

11. In line with lessons learned from other ongoing capital projects undertaken by the Organization, in particular the capital master plan in New York, and in accordance with section XVIII, paragraph 29, of General Assembly resolution 71/272 A, the Secretary-General continues to ensure that resource requirements at each stage of the project are based on a thorough review of actual up-to-date needs on the ground and adjusts them as appropriate.

III. Progress

A. Status of activities

12. During the reporting period, significant progress was made towards achieving the key project milestones for design, procurement and construction activities, including:

(a) The awarding and signing of a contract and the start and continuation of construction works for the new permanent building H, and the completion of the works to reinforce the roof slab of the underground car park in building E;

(b) The completion of detailed design work, including the submission and tentative approval of building permits in advance of their detailed approval for the renovation phase. Technical design activities are also well advanced and the full tender for the renovation of the 1930s historic buildings is planned to be launched during the last quarter of 2018, in line with the revised implementation strategy described in the previous progress report of the Secretary-General (see A/72/521, sect. III.K);

(c) The publication of the request for expressions of interest for the renovation contract of the historic buildings, following significant outreach through permanent missions, business seminars, international industry forums and advertisements on the United Nations Global Marketplace to attract the best possible pool of international bidders;

(d) The completion of the pre-qualification selection process of bidders and the preparation of the contract schedules, specifications and tender documentation, incorporating refinements based on lessons learned from the procurement of the new permanent building H and arising from the recommendations of the Board of Auditors;

(e) The redesign of the internal floor layouts of the new permanent building H to fully incorporate flexible workplace strategies, including the updating of headcount projections and space allocations throughout the campus to realize further space efficiency gains in excess of the original project requirements;

(f) The further detailed refinement of business continuity plans and the identification of the costs required for maintaining a reasonable level of conferencing abilities, operations and services throughout the renovation process;

(g) The further development of the phasing strategy when undertaking the works, together with the logistical plans required for staff moves to and from the swing space created within the new building H;

(h) The initiation of change management activities related to the implementation of flexible workplace strategies, in cooperation with various entities and client offices, to be located within the Palais campus upon completion.

13. The project currently continues to move forward in line with the overall planned schedule for the completion of construction activities by the end of 2023. It should be recognized that some administrative project close out activities will naturally extend into 2024, for example post-occupancy evaluations, the closure of contracts, the settlement of final accounts and retention releases. Some schedule slippage with regard to the construction of the new permanent building H was incurred because of unforeseen and problematic soil conditions, which required the redesign of the foundations and the introduction of retaining walls to some areas of the building footprint. The time delays for those additional works are being mitigated as much as possible through agreed value engineering proposals with the contractor. The costs and time relating to the necessary change orders for those additional works by the

contractor are currently being contained within the overall budget allocation for the new building work and within the overall project programme.

14. A progress photograph of the new building H construction site, dated 29 August 2018, is provided in figure I to enable visualization of the project progress to date. For comparison, figure II shows the architectural rendering of the finished building from the same angle.

15. Changes in projected cost estimates continue to be reviewed monthly, and the cost plan is fully updated and value engineering is undertaken at all key deliverable milestones. The project risks continue to be extensively reviewed and analysed, and appropriate mitigation strategies are developed and implemented in line with section XVI, paragraph 12, of General Assembly resolution 72/262 A. Reallocations of the project contingency provisions continue to be based upon the continual assessment of the risks associated with the phases of the project as they progress, in line with section X, paragraph 18, of Assembly resolution 70/248 A.

Figure I

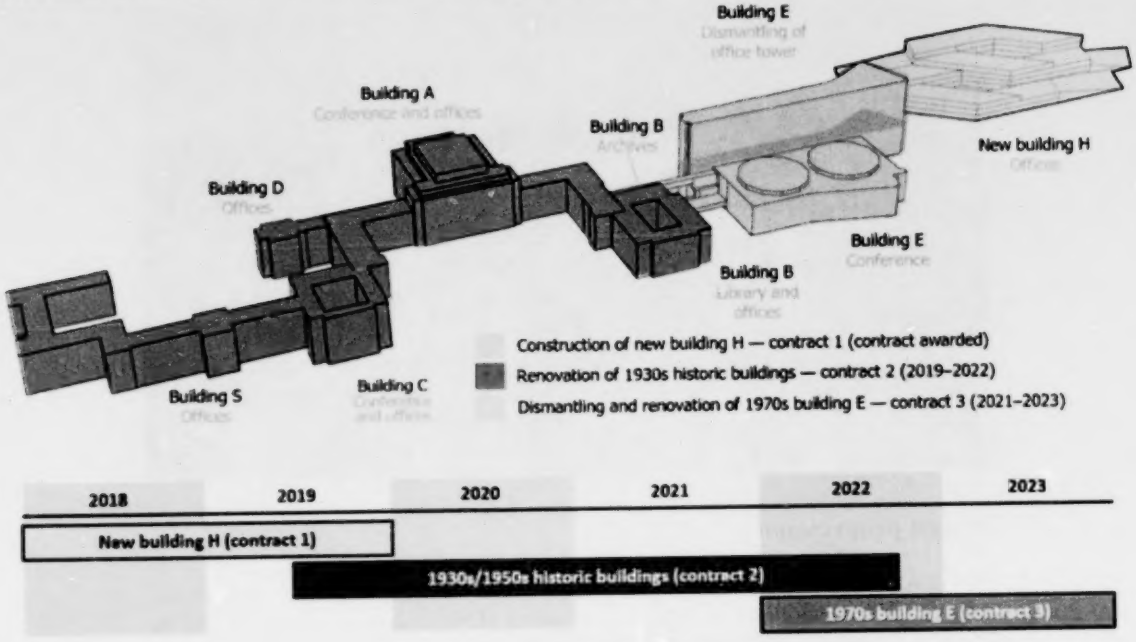
Progress photograph of new building H site, 29 August 2018

Figure II
Architectural rendering of completed new building H

B. Design progression

16. The construction phase design services for the new permanent building H are progressing in accordance with the requirements of the construction programme. In line with the revised implementation strategy described in the fourth annual progress report (A/72/521), the technical design and tender documentation for the 1930s historic buildings (buildings A, B1 (library archives), C, D and S) are due to be completed and the tender launched in the final quarter of 2018. Figure III shows a schematic overview of the Palais des Nations buildings and the currently planned phases of the contracting strategy.

Figure III
Schematic overview of Palais des Nations building complex and contracting strategy



17. It is currently anticipated that the detailed design for building E will be complete in early 2019, and that the contract tendering and the technical design work for its renovation will be carried out between 2019 and 2021, in a sequence yet to be finalized, in order to commence building E renovation works in 2021.

C. Flexible workplace strategies and space efficiency

18. In its resolution 72/262 A, the General Assembly requested that the Secretary-General ensure that the application of flexible workplace strategies at the Palais des Nations took into account staff welfare and productivity, the physical characteristics and the specific heritage preservation needs, as well as ongoing business transformation initiatives, in a cost-effective manner. It also endorsed the recommendations of the Advisory Committee on Administrative and Budgetary Questions, in its fourth annual report on the strategic heritage plan (A/72/7/Add.25), to proceed with the construction of the new building with the full implementation of flexible workspace strategies, but not to proceed with the proposed essential design and construction works to introduce mechanical ventilation with cooling, which would be necessary for the cost effective implementation of flexible workspace strategies for the renovation of the historic Palais office area (ibid., para. 37), and the Advisory Committee's recommendation that the Secretary-General continue to monitor the situation (ibid., para. 17).

New office building H

19. The interior layout of the new office building H was designed from the outset to accommodate predominantly open workspaces, incorporating the built-in flexible infrastructure, including ventilation and cooling, necessary to accommodate various groups of occupants both during the initial utilization of the building as a swing space

and in its final occupancy configuration. The further implementation of flexible workspace strategies increases the number of staff that can be allocated to the new building towards the optimum average ratio of 1:1.25 (five staff allocated to every four workstations) that is being applied at United Nations Headquarters and planned for offices away from headquarters, such as the United Nations Office at Nairobi and the United Nations regional economic commissions in Addis Ababa and Bangkok. It has also entailed a revision of the planned allocation of office space to the various organizational units and a redesign of the floor layouts.

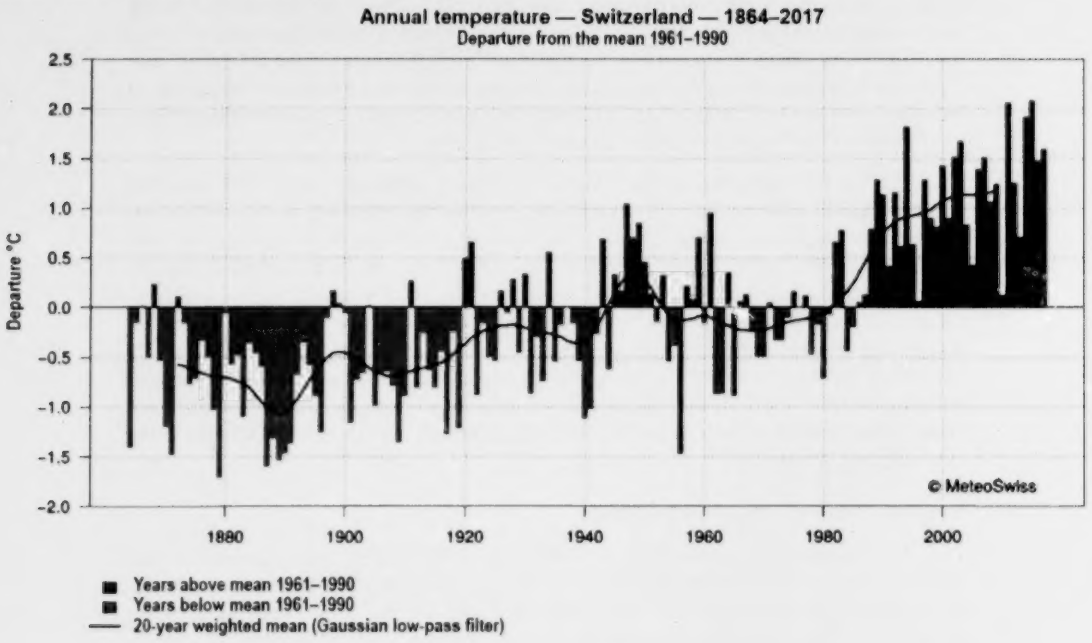
20. During the reporting period, several planning meetings were held with the United Nations offices that will eventually occupy the building at the end of the strategic heritage plan works in order to optimize the layout in a way that will maximize staff welfare and productivity. The final revised technical design documents have been provided to the contractor for all floors of the new building. That exercise, which was conducted within the baseline budget, has been a catalyst for greater engagement and a better understanding of how to realize the flexible workplace benefits the new building layout can offer. Furthermore, since the new building itself will afford the full benefit of flexible workplace strategies during the swing-space period as well as during its final occupancy, all staff will experience the new ways of working.

Existing Palais des Nations buildings

21. The Secretary-General did not proceed during the current reporting period with the feasibility study nor with the technical design in the manner originally proposed in his fourth annual progress report. Instead, based on the recommendation of the project Steering Committee, a working group encompassing subject matter experts from both Geneva and Headquarters was set up to further monitor and review the situation.

22. The most relevant development during 2018 was an acceleration in the previously observed trend of rising temperatures in Switzerland. The increase in temperature in Switzerland and its deviation from the historical mean over the past two decades is illustrated in figure IV. In 2017, Switzerland experienced very hot and sunny weather, interspersed with dramatic storms that brought torrential rain, with temperatures that surpassed even those of the previously hottest years on record: 2003 and 2015. The summer of 2018 has been the longest and warmest since records began in 1864, with temperatures regularly in excess of 30 degrees for extended periods of time. Temperatures between April and July in 2018 were the highest in more than 150 years and Switzerland is experiencing its lowest levels of rainfall since 1921.

Figure IV
Annual temperature for Switzerland, 1864–2017



23. If the trend depicted in figure IV continues at the pace it has for the past 30 years, then it is essential for cooling to be introduced to the existing office and related meeting spaces to avoid disruption to operations during the more frequent and more extended hot periods. The most cost-effective way to do that, while fully taking into consideration the imperative to preserve their heritage, would be to create more open space and larger shared office spaces where appropriate, which in turn would also allow the implementation of flexible workplaces in the existing Palais buildings. If that work is undertaken as part of the strategic heritage plan project, it would provide the necessary ventilation and cooling at a significantly lower cost than if the work were carried out later under a separate project. It would also more efficiently address the current risks to the well-being and productivity of staff and delegates posed by rising temperatures and ensure a healthier working environment for the future.

24. The renovation of the existing buildings presents greater challenges in implementing flexible workplace strategies, given the structural, technical and heritage characteristics of the existing buildings. The structure and technical features of the buildings, the 1930s closed office space layout and the imperative to preserve the heritage and history of the buildings are all constraints to a cost-effective renovation aimed at creating a modern, healthy, productive and efficient office space for staff. The approved baseline design does allow for the modification of some of the interiors of those buildings from the existing closed individual offices to a more flexible hybrid office layout, providing a mixture of both closed and open space environments by the selective removal of interior walls. In addition, support areas, referred to as "nodes", consisting of collaboration spaces, focus rooms, videoconference booths, kitchenettes and informal meeting spaces, will also be created, mainly in areas near lifts and staircases, to facilitate vertical air circulation.

25. The project team has engaged two consultants who specialize in heritage preservation to monitor and ensure adherence to the identified heritage preservation

imperatives, and the detailed design has also been shared with the heritage authorities of the Canton of Geneva for their review and comment. The technical design process has documented and respected all the key elements of the heritage imperatives identified by the heritage experts as well as the physical, structural and technical considerations of the existing buildings.

26. In his fourth annual progress report on the strategic heritage plan, the Secretary-General noted that the implementation of flexible workplace strategies required mechanical ventilation to be installed for the office spaces. Currently the only sources of ventilation are manually operated windows, which are not sufficiently effective during the more frequent and more extended hot periods and would not comply with existing building codes in office spaces that accommodate more than 12 people. Creating larger open spaces with energy-efficient mechanical ventilation and cooling would mitigate both the effect of the continually rising summer temperatures and the consequent negative effect on staff welfare and productivity, and create additional capacity in a more modern and efficient workplace.

27. That necessary improvement, however, comes at a cost beyond the current scope of the project, though the additional investment cost could ultimately be recovered by utilizing the buildings' resulting ability to accommodate more staff, thereby gaining additional rental income. Such costs could be financed from surplus valorization income, as described further in section V below.

28. There are currently two available options to address the issue. The first would be to implement the works as part of the strategic heritage plan in order to obtain the maximum economies of scale and benefit, as the required works would be carried out at a time where the buildings were already vacated and full project management and construction resources were already mobilized. The second is to delay the works until sometime in the future, following the completion of the strategic heritage plan.

29. An investment of CHF 67 million would be required to complete the first option, which is higher than the amount requested under the scenario presented in the fourth annual progress report of the Secretary-General, since the technical designs for the historic Palais buildings have been completed and the tender documents have already been prepared. Implementation of the first option at the current stage would require those processes to be redone, and the resulting office layout revisions would then need to be negotiated directly with the contractor, who will have been appointed for the renovation works by the time the redesign work is finished. Those actions would allow the impact on the overall project schedule to be contained to an estimated additional extension period of 9 to 12 months, which has been factored into the cost estimate.

30. In contrast, the second option of performing the works at a later date is estimated to cost CHF 108 million, if a start date of 2028 is assumed for illustrative purposes. It would not have an impact on the schedule of the strategic heritage plan, but it would require the recruitment of a new project management team, a completely new set of design and construction contracts and a new implementation strategy that includes the provision of swing space.

31. It is clear that the approach of implementing ventilation and cooling under the strategic heritage plan is the more financially and logistically attractive of the two scenarios. A separate project to implement ventilation and cooling is estimated to be over 60 per cent more expensive, owing to the need to schedule the works in a piecemeal fashion around the operations of the recently renovated office spaces to minimize the amount of swing space that would be required.

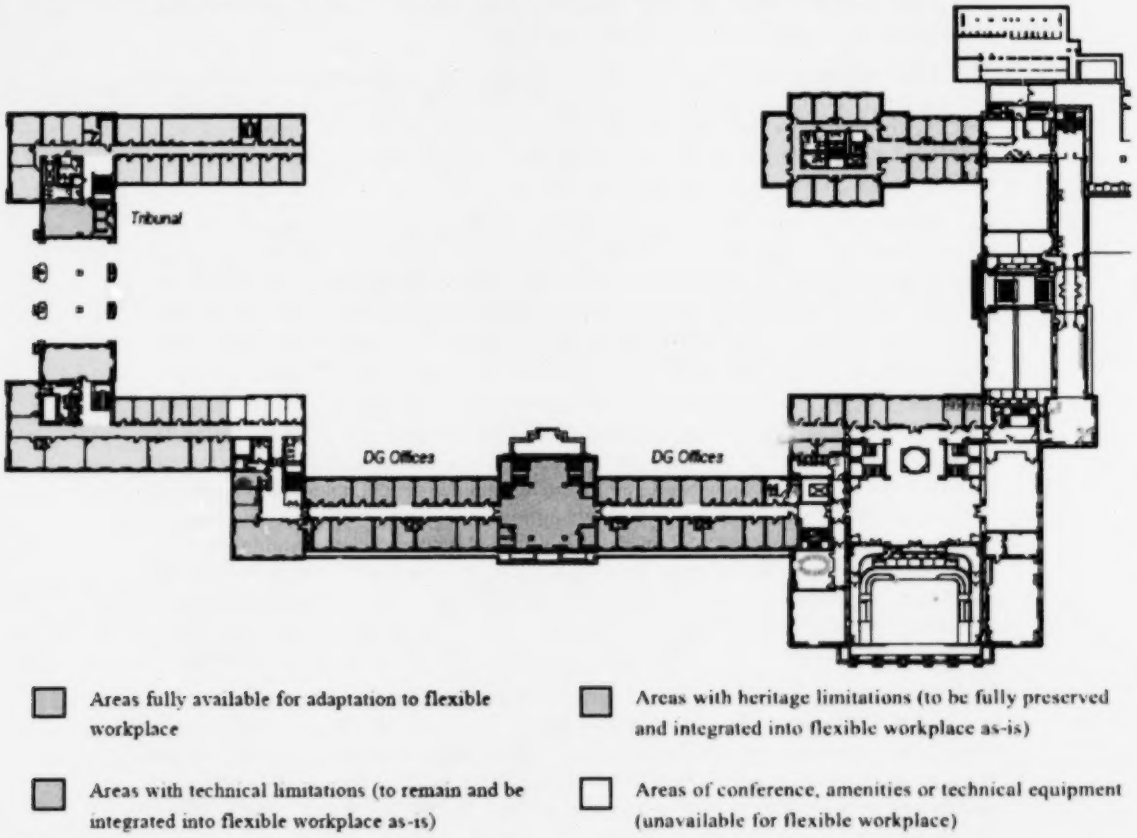
32. The implementation of ventilation and cooling hand in hand with the implementation of flexible workplace strategies creates an additional opportunity to employ a desk-sharing approach consistent with the flexible workplace strategies

being adopted by the Organization globally. The approach would take into account staff welfare and productivity while still respecting the physical and heritage aspects of the existing historic buildings. The exact number of additional staff that the approach would be able to accommodate can only be known once the full feasibility study and technical design have been completed.

33. Figure V illustrates the effect of fully respecting heritage and technical limitations. Areas in green are expected to be suitable for flexible workspace, whereas areas in orange indicate heritage imperatives and areas in blue depict technical limitations.

Figure V

Extract diagram of buildings S, C and D and level 1 indicating areas of heritage and technical limitations and areas available for implementation of flexible workplace strategies


Tribunal
DG Offices
DG Offices
Areas fully available for adaptation to flexible workplace
Areas with heritage limitations (to be fully preserved and integrated into flexible workplace as-is)
Areas with technical limitations (to remain and be integrated into flexible workplace as-is)
Areas of conference, amenities or technical equipment (unavailable for flexible workplace)

Abbreviation: DG, Director-General.

34. It is evident that the ratios of the different categories would vary substantially between floors. The feasibility study would confirm the status, office by office, in every building and floor of the Palais, giving a much more accurate estimate of the potential number of additional staff that could be accommodated by opening up the spaces suitable for flexible workspace strategies. That would make it possible to give a realistic update to the potential total accommodation capacity of the Palais des Nations campus, currently estimated at 3,900 in the fourth annual progress report of the Secretary-General, and the rental income that could be generated by increased

capacity. Details of additional entities that could potentially occupy such space, in line with section XVIII, paragraph 26, of General Assembly resolution 71/272 A, are included in paragraphs 39 and 40 below.

35. In addition to the quantifiable benefit of a more efficient use of space, flexible workplace strategies would also have considerable non-quantifiable organizational benefits, as described in the fourth annual progress report of the Secretary-General, including, among other things, enhancing collaboration, improving talent acquisition and retention and empowering staff at all grade levels.

36. With regard to financing the investment in ventilation and cooling, including flexible workplace strategies, the Secretary-General continues to explore all feasible options with a view to avoiding overall additional assessments on Member States over the lifetime of the project. Section V of the present report contains an update on the potential to secure income from the valorization of land owned by the Organization in Geneva, which has the most considerable potential in that regard.

37. On the basis of the above, the Secretary-General requests that the General Assembly approve the implementation of ventilation and cooling, including flexible workplace strategies, in the historic buildings of the Palais des Nations, taking into full consideration the imperative to preserve their heritage, in support of the health and productivity of staff and in order to avoid the significant additional costs and disruption to staff and delegates that would be involved in undertaking such works after the strategic heritage plan has been completed. The Secretary-General further proposes to ultimately finance the estimated additional cost of CHF 67 million through surplus valorization income to offset, over the lifetime of the project, any related appropriations from Member States.

38. An estimate of the sequencing of the estimated funding requirements for the ventilation and cooling is shown in table 1. Although table 1 shows only the nearly secured income of CHF 25.6 million from the valorization of the Villa and Parc des Feuillantines (see also paras. 124 and 125), it should be noted, as explained in paragraph 129 of the report, that the income expected from valorization would ultimately be in excess of the amount required to implement the ventilation and cooling, including flexible workplace strategies, during the lifetime of the project, and would therefore ultimately offset any increase in the overall appropriations from Member States to the project. For 2019, however, resources in the amount of CHF 10 million are required, as shown in table 1, for which additional appropriations and assessments on Member States are required.

Table 1
Estimate of potential sequencing of receipt of surplus valorization income relative to estimated expenditures for ventilation and cooling, including flexible workspace

(Millions of Swiss francs)

	2018	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*
Estimated surplus valorization income for ventilation and cooling	–	–	25.0	To be confirmed	To be confirmed	To be confirmed	67.0
Cost for ventilation and cooling, including flexible workspace	–	(10.0)	(40.0)	(17.0)	–	–	(67.0)
Subtotal	**–**	**(10.0)**	**(15.0)**	**To be confirmed**	**To be confirmed**	**To be confirmed**	**0**
Total	**–**	**(10.0)**	**(25.0)**	**To be confirmed**	**To be confirmed**	**To be confirmed**	**0**

Attracting additional United Nations entities to the Palais des Nations

39. As previously reported, the United Nations Children's Fund (UNICEF) expressed interest in relocating staff to the main Palais des Nations campus by 2020, to coincide with the end of its current lease. While no firm decision has yet been taken, an offer to accommodate staff of UNICEF in the new building H upon its completion has been conveyed, as additional floor space has been freed up by the implementation of flexible workplace. Discussions are in progress.

40. The Secretary-General continues to actively engage with other United Nations entities with a presence in Geneva to encourage them to become future tenants of the Palais des Nations, where they would benefit from a central location, shared amenities, greater security and other operational efficiencies and mandate synergies. The United Nations Joint Staff Pension Fund, the United Nations Office for Disaster Risk Reduction, the United Nations Institute for Training and Research, the United Nations Development Programme, the United Nations Environment Programme, the United Nations Office for Project Services, the World Bank and the World Food Programme have all expressed interest in being accommodated within the Palais des Nations campus. If sufficient further space can be generated for their accommodation, they would be expected to apply the same flexible workspace strategies implemented in the building(s) which they would occupy. According to the Secretariat's current and projected office space requirements, there is a high probability that, even with the introduction of flexible workspace strategies and the impact of other efficiency measures, the demand for office space at the Palais des Nations will continue to significantly exceed supply.

D. Update on measures to eliminate physical, communications and technical barriers to persons with disabilities

41. In section X, paragraph 30, of resolution 70/248 A, section XVIII, paragraph 13, of resolution 71/272 A and section XVI, paragraph 10, of resolution 72/262 A, the General Assembly requested the Secretary-General to ensure that the implementation of the strategic heritage plan took into account measures to eliminate physical, communications and technical barriers to persons with disabilities, in particular regarding the improvement of the conference facilities, ensuring compliance with the Convention on the Rights of Persons with Disabilities. In line with that requirement, a full and comprehensive accessibility master plan was provided by a specialist consultancy firm, and accessibility audits have been and continue to be implemented throughout the various design stages for both the new and existing buildings.

42. The proposed design solutions have, at all major design stages, been shared with the disability working group, which meets on a regular basis. Comments and remarks by the group have then been considered wherever possible and integrated into the subsequent design stages. The strategic heritage plan remains pragmatic and solution-oriented, putting emphasis on delivering a reasonable accommodation to provide the greatest accessibility for persons with disabilities while balancing that with other project objectives, including the preservation of the heritage of the Palais.

E. Reduction of energy consumption

43. One of the core objectives of the strategic heritage plan is to lower the energy consumption of the Palais des Nations by at least 25 per cent, compared with the 2010 baseline, as stated in the report of the Secretary-General on the strategic heritage plan dated 8 August 2011 (see A/66/279, para. 11 (c) (iv)). Several different components of work have contributed to the achievement of that objective, not least of which was

the replacement of most of the windows with more modern and efficient versions prior to the commencement of the strategic heritage plan construction and renovation works.

44. As noted in the fourth annual progress report of the Secretary-General, the new permanent building has already been granted a provisional Minergie certificate, a Swiss environmental certification programme for low-energy-consumption buildings. During the reporting period, a provisional certificate was also granted for the renovation of the Palais des Nations under Minergie, the achievement of which will also contribute towards reaching the overall energy consumption reduction target.

45. In addition to the Minergie requirements, the environmental impact of the new permanent building is being monitored to guarantee a performance level equivalent to that of the internationally recognized environmental building Leadership in Energy and Environmental Design (LEED) Gold certification standard.

F. Information communications technology, broadcast and congress systems

46. Coordination efforts with local and global stakeholders have continued during the reporting period. Following a comprehensive review of the audiovisual equipment in the conference rooms, interventions have been prioritized on the basis of the remaining useful lives and interoperability of the existing equipment to ensure that all conference rooms are able to provide an equally elevated level of service. Interventions have been coordinated with all stakeholders and users to ensure that the heritage issues of individual rooms and other specific requirements are considered in the renovation strategy.

47. A similarly holistic approach has been taken with existing active equipment, and a full inventory has been undertaken to facilitate decisions regarding which equipment to keep and which to replace. Pieces of information technology equipment are being replaced as they reach the end of their useful lives in line with what will be needed after the strategic heritage plan is completed.

G. Fire and life safety

48. As previously reported, the existing historic buildings will be renovated to comply with the host country fire regulations and building codes while ensuring that the heritage aspects of the Palais des Nations are also considered in order to find the optimum balance between the two sometimes competing aspects. The requirements are far greater than originally anticipated, significantly exceeding the initial planning assumptions in both magnitude and complexity. During the reporting period, the host country authorities have provisionally confirmed their agreement to the measures being proposed and are currently studying the submitted technical information for compliance prior to issuing the relevant permits for the renovation portion of the works.

H. Business continuity

49. During the reporting period, the stakeholder requirements and business constraints affecting the planning of the renovation works have been investigated and documented in ever-greater levels of detail. More than 180 meetings have been held with various stakeholders regarding business continuity, the largest proportion of which are related to conference planning. The process has also sensitized the various

entities located in the Palais, particularly those being moved as part of the first renovation phase, to the need to plan for the coming business impacts.

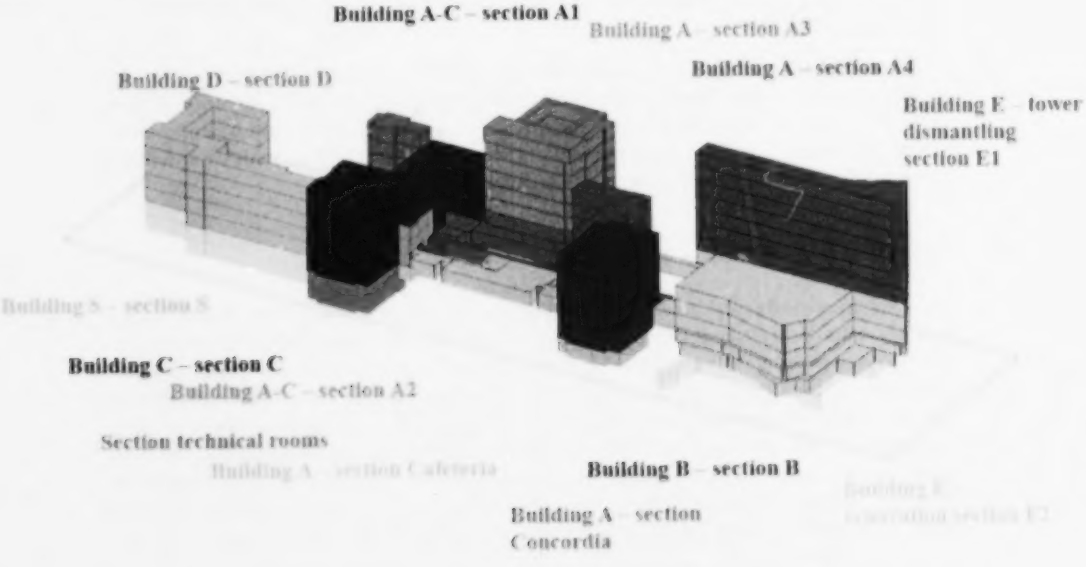
50. Key elements of the planning at the present stage are as follows:

(a) The allocation of the works in the design and contract documents into different sections of works has been completed (see figure VI). That will reduce the interface between the renovation works and the building occupants and visitors, in turn reducing disruption and health and safety risks. The sections have been defined to ensure the cost-effective scheduling of the construction works, the efficient relocation of staff and the reduction of disturbance to the operational parts of the buildings;

(b) Mitigation actions to ensure the business continuity of all critical systems and technical rooms associated with daily operations during the renovation works have been defined, and the expected time frames and cost estimates have been refined;

(c) Business disruptions will be mitigated as far as is economically and reasonably practicable during the construction phase of the renovation works through the institution of temporary measures, and communication plans will be developed to ensure that all stakeholders understand what will be required of them in advance of the relevant works and swing space moves to ensure sufficient time to develop fully coordinated action plans.

Figure VI
Three-dimensional representation of sections of work for historic building renovation


Building A-C – section A1
Building A – section A3
Building D – section D
Building A – section A4
Building E – tower dismantling section E1
Building C – section C
Building A-C – section A2
Section technical rooms
Building B – section B
Building A – section Concordia

51. As part of the ongoing planning and scheduling of the renovation works, options are currently being explored, costed and assessed for the continuity of conferencing activities. The number of meetings (such as side events, informal panel discussions and consultations) that are not included in the official calendar approved by the General Assembly will be reduced where practicable. For meetings on the calendar, options are being considered that range from using alternative conference facilities to creating temporary conferencing spaces or converting portions of the existing buildings for temporary conference use. Discussions with the host Government are

ongoing with regard to the possibility of using other facilities in Geneva as alternative venues for conferences, depending upon their availability and the willingness and flexibility of their administrators to accommodate parts of the current conferencing schedule.

I. Risk management

52. The independent risk management firm has continued its work of analysing the risks and uncertainties to both the project schedule and the project budget each quarter since the last annual reporting period, in accordance with the methodology described in the third annual progress report of the Secretary-General (see A/71/403, para. 54). The forecast analysis comprises the results from assessments of the risks identified by the integrated risk management team, project team, programme and project management staff, lead design firm and project stakeholders and is reported independently directly to the project owner and governance mechanism of the project. To date, more than 300 risks have been identified on the project risk register, and on average 13 risks were added or removed from the risk register every month between January and July 2018. New risks are captured monthly in conjunction with the integrated risk management strategy; it is expected that the average rate may accelerate when work begins on the renovation of the historic buildings. Mitigation actions are undertaken by the project team against each identified risk as it arises and the progress of mitigation actions are regularly monitored and reviewed.

53. Through the application of that professional risk management approach, risks are mitigated throughout the year until they have been accepted, avoided, removed, closed or retired progressively following the completion of design definition stages.

54. The team has identified the following risks as currently being the highest (a combination of likelihood and impact) among the risks being tracked for the project:

(a) Unexpected events and variations relating to building foundations;

(b) The possible need for temporary facilities for specific United Nations services, including conferencing;

(c) Potential claims by the contractor for the new permanent building for additional costs above the agreed contract price;

(d) Design errors and omissions in contracted works;

(e) The potential for bids received for the renovation contract to vary significantly from the estimated cost;

(f) The misalignment of the previously agreed interface between renovation works and Palais operations.

The team continues to closely monitor and implement mitigating actions to control those and all other project risks.

55. The risk contingency forecasts provided by the independent risk management firm use an assessment of the probability of individual risks, together with the likely range of costs and schedule impact of each of the identified risks, to calculate the probabilistic recommended level of contingency provision required at the 80 per cent certainty level to complete the full scope of the project and achieve all the identified project benefits and objectives.

56. Since the third annual progress report of the Secretary-General (A/71/403 and A/71/403/Corr.1), the approach taken to calculate contingency provision has remained consistent. To ensure full accountability and transparency, it has been applied in such a way as to identify the level of risk exposure within each of the

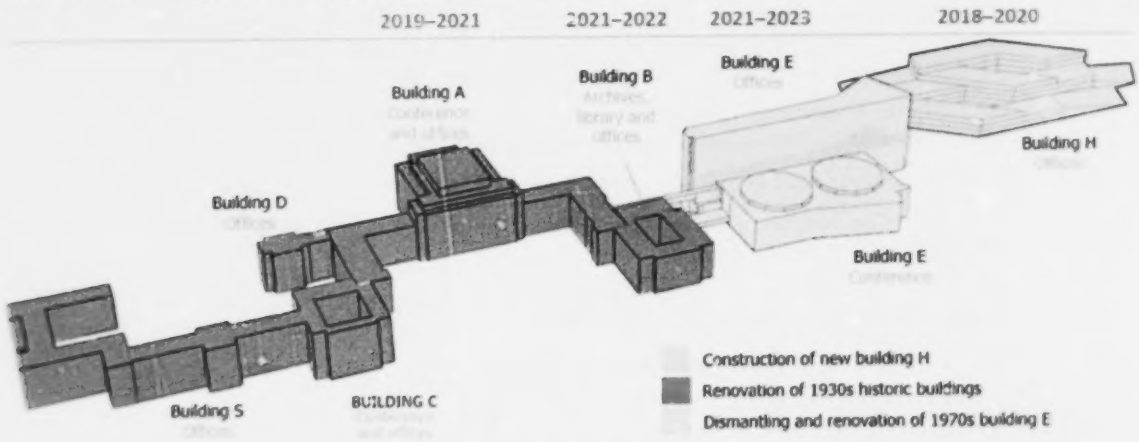
buildings and across each specific phase of the project, and corresponding contingency amounts have then been assigned. Where the combined total of the core costs (construction, design and consultancy, associated costs and project management) and the contingency required at the 80 per cent certainty level exceed the budget of CHF 836.5 million approved by the General Assembly, additional mitigation actions are taken to ensure that the project remains within the approved budget envelope. The process is described in more detail in section IV.C of the present report.

57. While cost pressures continue to exist, the project team has developed dashboards to track programme and contract changes to enable emerging cost pressures to be recorded, monitored and resolved. The Secretary-General has full confidence that the project can be completed within the approved overall maximum cost.

J. Project schedule

58. The latest programme schedule has been updated to reflect both the progress of work achieved during the last reporting period and the change of implementation strategy related to the renovation works, as described in the fourth annual progress report of the Secretary-General (see A/72/521, sect. III.K) Figure VII illustrates the programme schedule.

Figure VII
Overview of strategic heritage plan programme schedule



59. The latest programme schedule indicates the next key project milestones as follows:

(a) Finalization of the technical design, preparation of tender documentation and procurement of the contractor for phase 2.1, renovation of the 1930s historic buildings, from 2018 to mid-2019;

(b) Appointment of contractor for phase 2.1, renovation of the 1930s historic buildings, by third quarter 2019;

(c) Substantial completion of phase 1, new building H construction works, first quarter 2020;

(d) Technical design, preparation of tender documentation and procurement of contractor for phase 2.2, renovation of building E works, from 2019 to 2021;

(e) Appointment of contractor for phase 2.2, renovation of building E works, during 2021;

(f) Completion of renovation and dismantling of office tower of building E; end of 2023;

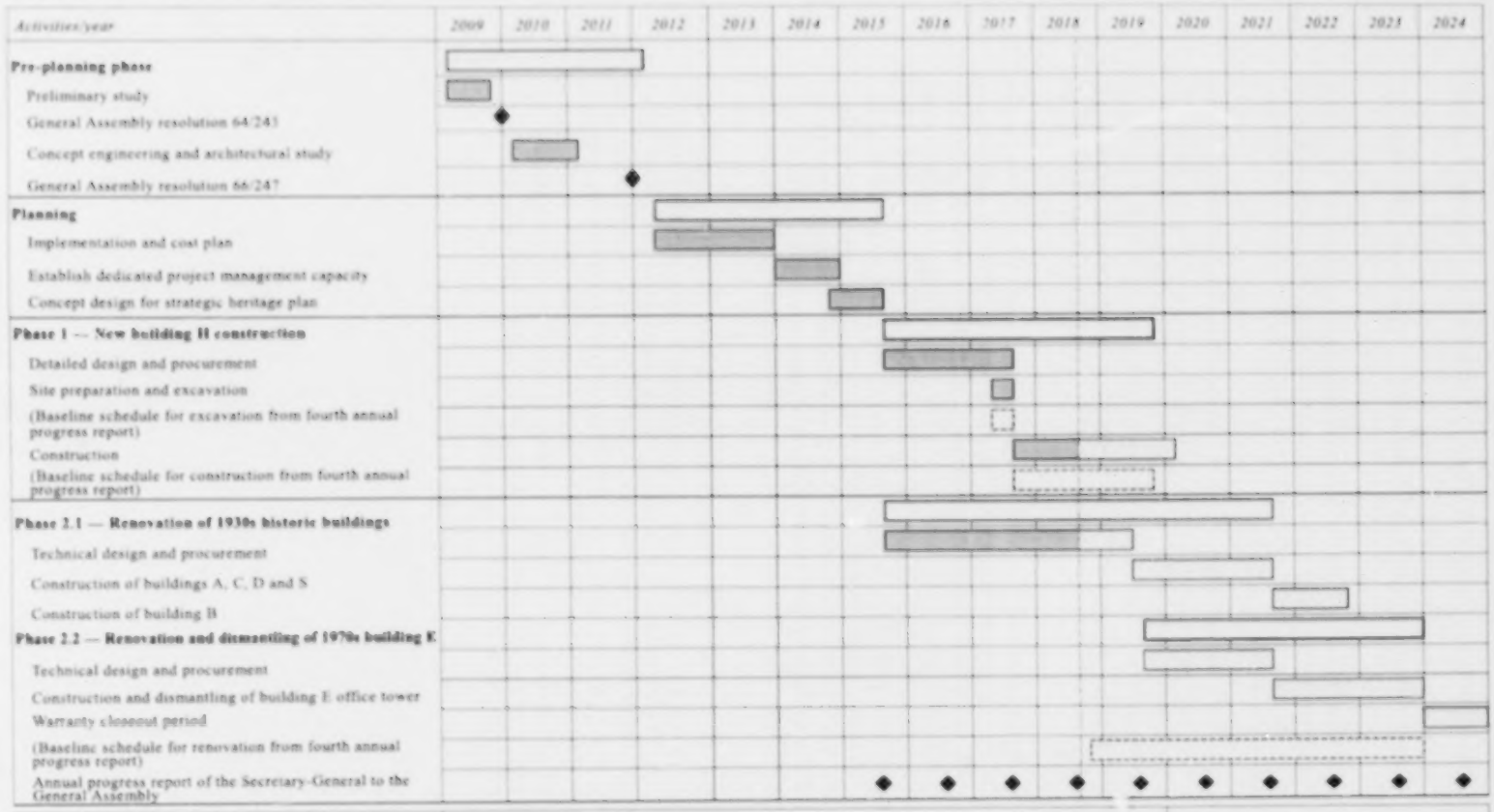
(g) Warranty close out period following completion of works to reflect activities of post-completion assessments and post-occupancy evaluations, release of retention, seasonal commissioning of building services and other quality and financial related closeout activities during 2024.

60. Figure VIII indicates the updated project schedule of works. The duration of the works originally envisaged for the new building H has, over the course of the reporting period, been contractually increased by six weeks through extensions of time to the contractor due to localized, unforeseen changes to the foundations related to the soil conditions. The consequent design change led to both an extension of time to the contractor's programme schedule to cover the extra works necessary and an increase in costs.

61. The renovation works are now shown as starting later than originally planned at the outset of the project, as a result of the resequencing of the design process associated with the refined implementation strategy, as described in the fourth annual progress report of the Secretary-General (see A/72/521, sect. III.K). The resequenced works remain within the overall programme, but now occur prior to the tender of the contract rather than subsequent to it. A few delays have been encountered in the completion of those design works, which in turn will put pressure on the time available for the procurement process for a renovation contractor. Mitigation measures will be applied to try to complete the next stages more quickly, but there is a risk that such delays may have an impact on the commencement of the renovation works.

62. The renovation of the 1930s historic buildings has been divided into two major subphases to ensure a reasonable level of business continuity within the Palais des Nations. The works in buildings A, C, D and S will be undertaken from 2019 to 2021, ensuring a reasonable level of business continuity for the conference facilities. The works in building B will be carried out from 2021 to 2022 to moderate the capacity and amount of works to be performed by the contractor during the first two years. That optimized solution does not imply any delay, as the works can be undertaken in parallel with the works in building E, which will be the subject of a different construction contract from 2021 to the end of 2023.

Figure VIII
Project schedule


Activities/year
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
Pre-planning phase
Preliminary study
General Assembly resolution 64/243
Concept engineering and architectural study
General Assembly resolution 66/247
Planning
Implementation and cost plan
Establish dedicated project management capacity
Concept design for strategic heritage plan
Phase 1 — New building H construction
Detailed design and procurement
Site preparation and excavation
(Baseline schedule for excavation from fourth annual progress report)
Construction
(Baseline schedule for construction from fourth annual progress report)
Phase 2.1 — Renovation of 1930s historic buildings
Technical design and procurement
Construction of buildings A, C, D and S
Construction of building B
Phase 2.2 — Renovation and dismantling of 1970s building E
Technical design and procurement
Construction and dismantling of building E office tower
Warranty closeout period
(Baseline schedule for renovation from fourth annual progress report)
Annual progress report of the Secretary-General to the General Assembly
Phase 1 — New building H construction:
Site preparation and excavation of new building H
Construction of new building H
Phase 2.1 — Renovation of 1930s historic buildings
Renovation building A (conference)
Renovation building B
Renovation building C (offices and conference)
Renovation building D (offices)
Renovation building S (offices)
Phase 2.2 — Renovation and dismantling of 1970s building E
Renovation building E (conference) and dismantling building E (office tower)
Phase
Completed
To be completed
Baseline

K. Costs

63. As provided in previous progress reports of the Secretary-General, table 2 shows the latest revised cost plan, reflecting the current project progress.

Table 2
Projected summary cost plan for strategic heritage plan project, 2014–2024

(Thousands of Swiss francs)

	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*Total*
Construction of new building	–	–	–	10 599	24 296	59 884	18 799	–	–	–	–	113 578
Renovation works	–	–	–	–	75	20 809	84 475	117 711	97 669	58 074	–	378 813
Dismantling seven floors of building E	–	–	–	–	–	–	–	3 397	13 587	1 132	–	18 116
Associated costs	–	–	–	316	1 040	489	6 522	24 040	5 151	12 535	–	50 093
Consultancy services	1 705	23 685	36 857	9 096	17 475	6 134	19 481	8 405	7 809	5 565	976	137 187
Project management	1 268	2 890	3 981	4 002	4 257	4 749	4 553	4 392	4 297	3 492	1 000	38 881
Escalation	–	–	–	–	–	336	2 814	6 173	7 139	5 810	162	22 435
Subtotal	**2 973**	**26 575**	**40 838**	**24 013**	**47 143**	**92 401**	**136 644**	**164 118**	**135 652**	**86 608**	**2 138**	**759 104**
Contingencies	–	–	–	–	3 127	8 528	14 558	18 973	19 249	10 065	42	74 540
Escalation on contingencies	–	–	–	–	–	21	285	743	1 074	731	3	2 857
Total	**2 973**	**26 575**	**40 838**	**24 013**	**50 270**	**100 950**	**151 487**	**183 833**	**155 975**	**97 404**	**2 183**	**836 500**

64. The changes to the cost plan since the previous (fourth) annual progress report (A/72/521) relate primarily to the change in implementation strategy described in that report. In addition, the completion of detailed design work and progress on technical design for the renovation phase have resulted in more accurate cost data.

65. The updated cost estimate for the construction of the new permanent building H does not differ significantly from the previous estimate.

66. The total estimated costs for the renovation works of the existing Palais buildings have decreased by CHF 20.2 million, of which CHF 5.3 million relate to the historic Palais buildings constructed in the 1930s, CHF 13.1 million to the renovation of conference building E and CHF 1.9 million to the dismantling of seven floors of the building E tower. That is largely due to the further development of the design work described in section III.B above. The reductions in costs planned for building E relate to a better understanding of, and the development of action plans to address, the issues noted in the fourth annual progress report of the Secretary-General, particularly with regard to the main façade of building E and the dismantling of its office tower, for which more optimal solutions are now anticipated. The reduction related to the historic buildings stems primarily from a revised approach to the fire suppression strategy in the archives area of building B.

67. The associated costs estimates have increased by approximately CHF 4.5 million, primarily owing to further development of the design work, which resulted in higher estimates for furniture, fixtures and equipment.

68. The estimated consultancy services costs increased by CHF 16.1 million, mostly due to the change in implementation strategy outlined in the fourth annual progress report of the Secretary-General, namely, the decision to complete the design of the

renovation phase prior to tendering for construction contracts. The corresponding reduction in the risks associated with that resulted in a decrease in the risk-based contingency estimate. Costs reflected in 2024 under consultancy services and project management relate to project closure activities that will take place after the completion of construction works in 2023, as described in section III.J above.

69. The amount of projected contingency has been revised downward compared with the fourth annual progress report in accordance with the overall contingency management strategy contained in section IV.C below.

70. The estimated escalation rates calculated for the project, following a review with the professional construction cost advisers, have remained at 1.4 per cent for 2019 and 1.6 per cent per year from 2020 onward. Those updated escalation rates are applied to the planned monthly expenditures of each project cost element. They are not calculated for project costs that have already been contracted and committed at the time of writing. The total forecast escalation requirements for the remaining project duration are CHF 4.3 million lower than in the previous annual progress report.

71. Actual cumulative project expenditures for the period from 2014 to 31 July 2018 amount to CHF 131.2 million, and the projected expenditures for the remainder of 2018 are estimated at CHF 13.5 million, as shown in tables 3 and 4. Further breakdown of costs by type for each funding source are presented in tables A.1, A.2 and A.3 in annex I.

Table 3
Approved total funding and projected expenditures for 2014–2018

(Thousands of Swiss francs)

	(A)	*(B)*	*(C)*	*(D = B+C)*
Funding source	*Funding 2014–2018*	*Expenditures as at 31 July 2018*	*Projected expenditures August–December 2018*	*Total projected expenditures 2014–2018*
Cumulative approved Member State funding	109 428.8	95 247.4	6 513.0	101 760.4
Cumulative projected Swiss loan funding	42 493.3	35 745.7	6 747.6	42 493.3
Cumulative other funding	415.0	210.5	204.5	415.0
Total	**152 337.1**	**131 203.6**	**13 465.1**	**144 668.7**

Table 4
Approved total funding, projected expenditures and contingencies for 2014–2018

(Thousands of Swiss francs)

	(A)	*(B)*	*(C)*	*(D = B+C)*
Cost category	*Total cumulative projected funding 2014–2018*	*Expenditures as at 31 July 2018*	*Projected expenditures August–December 2018*	*Total projected expenditures 2014–2018*
Construction and refurbishment	50 944.0	28 618.4	8 716.3	37 334.7
Design, consultancy and contracted external expertise	81 489.9	87 377.4	2 183.9	89 561.3
Associated costs	2 470.4	1 004.2	370.1	1 374.3
Project management team and operational expert team	17 090.3	13 948.3	2 127.7	16 076.0
Travel	342.5	255.3	67.1	322.4
Total	**152 337.1**	**131 203.6**	**13 465.1**	**144 668.8**

72. Cumulative expenditures against assessments on Member States amount to CHF 95.2 million as at 31 July 2018 and projected expenditures until the 2018 year-end are currently forecast at CHF 6.5 million against that funding source, as indicated in table A.1 in annex I. That would yield an expected year-end balance from assessments on Member States of approximately CHF 7.7 million. The actual year-end balance may vary depending on whether the contingency allowance will be further used by year-end 2018. The cash-flow impact of additional design costs resulting from the change in implementation strategy is offset by the related deferral of construction costs for the renovation works.

73. In his fourth annual progress report, the Secretary-General indicated that the cumulative approved funding expected to be drawn from the Swiss loan by the end of 2018 amounted to CHF 77.8 million. Owing to the slower progress of the construction of the new permanent building, as described in section III.J above, the expected year-end 2018 cumulative expenditures against the Swiss loan amount have been reduced to CHF 42.5 million, as indicated in table A.2 in annex I.

74. Cumulative expenditures against other funding sources relate to the funding from voluntary donations from China and Monaco, as indicated in table A.3 in annex I. Projected cumulative expenditures of CHF 0.4 million at the end of 2018 relate to design activities funded by those donations and were realized earlier than indicated in the previous annual progress report.

IV. Financing

A. Host country loan agreement

75. In the fourth annual progress report of the Secretary-General (A/72/521), the host country interest-free loan package of CHF 400 million was forecast to be assigned to the new building and renovation works at the estimated amounts of CHF 125.1 million and CHF 274.9 million, respectively. While the projected cumulative annual loan amounts apportioned to the new building and the renovation works might vary throughout the project's progression, the final assignment values of the loan can only be determined once the actual costs for the new building are known, upon project completion. Any remaining balance from the new building loan portion will be applied to the renovation of the existing buildings at that stage, if applicable, in accordance with the loan agreement.

B. Detailed host country loan repayment plan

76. According to the latest project schedule, the 50-year loan repayment for the loan portion applied to the new permanent building H will begin at the end of 2020, the year of occupation of the new building. That estimate remains unchanged from the previous estimate contained in the fourth annual progress report of the Secretary-General. The repayment of the renovation portion of the loan will start upon completion of the renovation works. As stated in its second report on the strategic heritage plan (A/73/157), the Board of Auditors recommends that special attention be given to the importance of the decision on the modalities for appropriation and assessment of the funds required for the repayment of the Swiss loan.

C. Contingency management

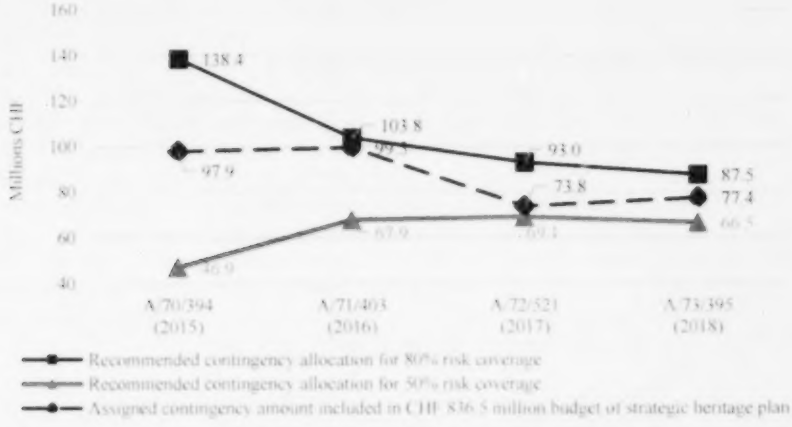
77. As stated in the previous progress reports, the contingency management for the project continues to be based on the risk-based contingency forecasts provided by the

independent risk management firm as described in section III.I above, and in accordance with resolution 70/248 A. That risk-based approach is in line with industry best practice and was also recommended in the document "Lessons from the United Nations Capital Master Plan", a paper by the Board of Auditors dated December 2014. In that paper, the Board noted that the United Nations had a formulaic approach to forecasting the costs of risks for the capital master plan, applying a 20 per cent contingency cost allowance before a contract was awarded and a 10 per cent allowance after award, and that such a cost forecasting approach was flawed in that it was not based on the true estimated costs of the risks. The Board's point was that contingency for projects should be estimated on the basis of an appreciation of the specific risks and their probable cost impact, plus an allowance for unknown risks or costs derived from trend analysis or benchmarking.

78. The model used by the project therefore recalculates the contingency each quarter according to a sophisticated risk modelling technique using specialized software, based on an extensive list of risks together with a range of cost possibilities and a probability of occurrence. The list is reviewed and updated quarterly, and the model runs thousands of simulations of possible combinations of outcomes to provide an estimate of the contingency required at different confidence levels. The chosen industry benchmark level for the project is to allow for a contingency allocation sufficient to cover all the possible risk and uncertainty combinations at a confidence level of 80 per cent.

79. The most recent quarterly risk model projects a risk exposure at the P80 probability level of CHF 84.5 million (CHF 87.5 million, including escalation), a reduction of CHF 4.8 million compared with the fourth annual progress report, primarily due to a reduction in the risk resulting from the change in implementation strategy. That decrease is partly offset by a higher risk allowance for business continuity costs, primarily owing to the fact that building E will be closed completely during the refurbishment works. The available contingency included in the current cost plan is the difference between the CHF 836.5 million project envelope and the latest forecast of project core costs, including escalation. For the period 2018–2024, that amounts to CHF 77.4 million, as depicted in figure IX, which means a 66 per cent probability of being sufficient, according to the risk model.

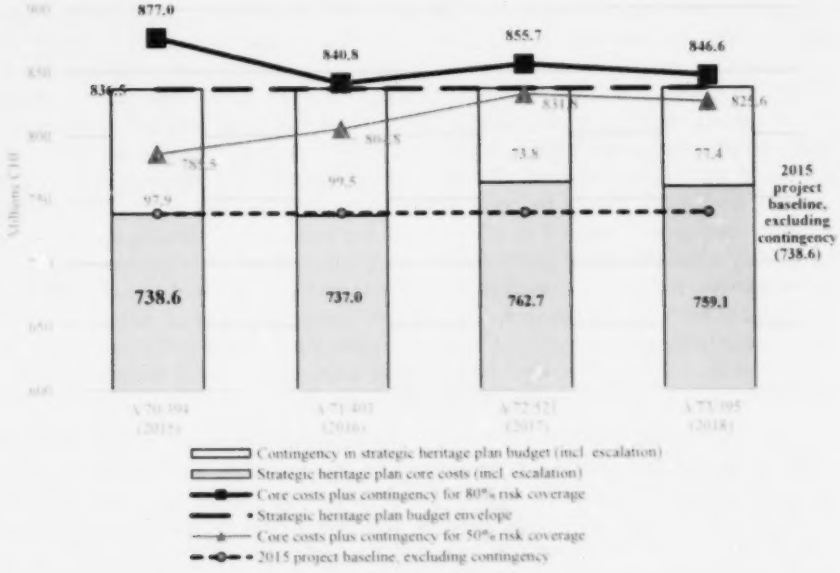
Figure IX
Trend of available and probabilistic contingency



80. The Board of Auditors recommends in its most recent report (A/73/157) that the contingency should be calculated and reported at the P80 level of confidence in the cost plan included each year in the annual progress report of the Secretary-General, even if that means that the cost plan would exceed the project envelope of CHF 836.5 million. Figure X presents, by year, the forecast core costs (including escalation), the contingency available within the budget envelope of CHF 836.5 million and the total project costs if the contingency were set at the level required to achieve a P80 level of confidence. In 2015, the total budget required at a P80 level of confidence would have been CHF 877.0 million, which would have been CHF 40.5 million (4.8 per cent) higher than the approved budget of CHF 836.5 million. In contrast, for 2018, the total budget required to achieve a P80 level of confidence would be CHF 846.6 million, CHF 10.1 million (1.2 per cent) higher than the approved budget. That reduction has been achieved through the management and mitigating actions taken against the identified risks.

Figure X

Trend of forecast project core costs and of available and probabilistic contingency



81. The Board of Auditors further recommends that additional mitigation measures should be taken if the available contingency in the strategic heritage plan budget drops below the risk-based calculation of contingency at a P50 level of confidence. Figure X therefore also shows the total project costs if the contingency were to be set at the level required to achieve a P50 level of confidence; however, it should be noted that at no point to date has that been the case. It is emphasized that the Board's recommendation is consistent with industry practice, where a contingency amount at the P50 level or less would be considered inadequate and would expose the Organization to too great a risk of budget overruns.

82. It is also important to note that, at the start of a project, uncertainties regarding scope, timing and costs are high. In the initial stages of project planning for the strategic heritage plan, some costs were expected that could not be accurately quantified; those were included in the risk and contingency allowance. As the project

has progressed, those uncertainties have decreased over time as the design process has advanced and contract prices have been agreed. The project core cost forecasts have therefore been updated with that new knowledge and the risk(s) in question have been retired from the risk register. That reforecasting does not entail an actual usage of contingency until such time as a binding commitment is signed by the United Nations.

83. At present, the only building for which a binding construction contract commitment has been signed is the new permanent building. The contract is for a fixed amount, but the contractor has the right to claim additional costs in the event of circumstances unforeseen at the time the contract was agreed, in accordance with standard commercial law principles. The risk-based model therefore continues to model risks in relation to that contract. When such risks are realized and lead to a change in the amount committed by the United Nations, the project core costs are increased, contingency is used and the related risks are retired from the risk register. During 2018, CHF 2.4 million was added to the core costs in that way, predominantly relating to localized changes to the foundations arising from unforeseen soil and substructure conditions.

84. In addition, during 2018, increased design consultancy costs of CHF 3.5 million were committed with respect to the change in implementation strategy for the 1930s historic buildings, which was explained in the fourth annual progress report of the Secretary-General (see A/72/521, paras. 55–60). Although the total consultancy costs committed to date remain within the total budget allowance, it is now forecasted that the remaining costs of the technical design for building E and the construction administration services for the historic buildings will cause the final consultancy cost to exceed its original baseline allowance. At the same time, the reduction in risk associated with the change in implementation strategy has led to a fall in the P80 forecast contingency value. The effect is that the committed core consultancy costs have risen while the contingency forecast has fallen. Since it is a committed cost, rather than just a forecast, contingency has therefore been used in the amount of CHF 3.5 million; however, unlike in a deterministic contingency model, where the same amount would directly be removed from contingency and added to the core costs, the impact on the overall risk-based probabilistic contingency is not the same since it reflects the statistical risk profile of the new approach.

85. In total, therefore, CHF 5.9 million of contingency has been used in 2018. In figure X, the forecast of the final project core costs (including escalation) rose from the approved project baseline of CHF 738.6 million to CHF 759.1 million, which represents an increase of CHF 20.5 million. The total contingency actually committed and used since 2015 is CHF 7.0 million, which comprises CHF 5.9 million for 2018 in addition to the total of CHF 1.1 million reported for 2016 and 2017 in the fourth annual progress report of the Secretary-General (see A/72/521, para. 84). The remaining CHF 13.5 million increase in forecasted final project core costs has not yet been committed as expenditure and has therefore not yet required usage of contingency.

86. Usage of the remaining contingency forecast for 2018 could still arise before year's end, after submission of the present report, should any further unforeseen activities be required. The General Assembly, in its resolution 70/248 A, decided that unused contingency funds may be carried over to subsequent years and reallocated as new risks emerge and older risks are retired, consistent with industry best practice, and that all remaining unused contingency funds are to be returned to Member States at the end of the project.

D. Scheme of appropriation and assessment

87. The General Assembly, in section X of its resolution 70/248 A, approved the project scope, schedule and estimated cost of the strategic heritage plan in the maximum amount of CHF 836.5 million for the period 2014–2023. At that time, the Assembly also decided to revert to the establishment of an assessment scheme and currency of appropriation and assessment for the strategic heritage plan at the main part of the seventy-first session. The Assembly has deferred that decision at each subsequent session.

88. In the context of the recommendation contained in the report of the Board of Auditors (see A/73/157, para. 82), that management underline the importance of a decision to be taken by the General Assembly at its seventy-third session regarding the scheme and currency of appropriation and assessment for the strategic heritage plan, the Secretary-General would like to highlight the fact that the project now nears its midpoint and enters into significant high-value multi-year construction contracts, which extend beyond one budget year.

89. The General Assembly, in its resolution 72/262 A, decided to revert to the questions of the establishment of an assessment scheme and the currency of appropriation and assessment for the strategic heritage plan at the main part its seventy-third session. Three possible schemes of appropriation and assessment for the project (a one-time upfront appropriation and assessment, multi-year appropriations and assessments, or a one-time upfront appropriation with a mix of one-time and multi-year assessments), as well as two options for the currency of appropriation and assessment (United States dollars or Swiss francs), which were presented by the Secretary-General in his previous progress reports (A/70/394, A/70/394/Corr.1, A/71/403, A/71/403/Corr.1 and A/72/521) remain valid. As requested by the Assembly, updated charts of those options are presented in figures XI, XII and XIII, and detailed information is provided in annex I of the present report.

90. The General Assembly, by its resolutions 68/247 A, 69/262 A, 70/248 A, 71/272 A and 72/262 A, has to date appropriated a total amount of CHF 109.4 million for the period from 2014 to 2018. Moreover, voluntary contributions have been received and will be used to offset assessments on Member States in the amount of CHF 1.9 million in the years when the costs funded by those contributions are incurred. Consequently, the anticipated cost of the project that remains to be financed by Member States amounts to CHF 325.1 million (excluding the utilization and repayment of the host State loan). The Assembly's decision in its resolution 72/262 A that all income from valorization would be reflected under income section 2 means that the income of CHF 25.6 million from the long-term lease of the land plots of the Villa Feuillantines will not reduce Member States' contributions to the strategic heritage plan.

91. In addition to the funding from donations, the two main elements of funding (the host country loan and contributions from Member States) will be utilized each year. The host country loan will be treated as follows:

(a) The Swiss loan portion for the new permanent building H commenced utilization during 2017 and will be used to fund all eligible costs for the new building, that is, the costs of construction and consultancy services. The drawdown profile is currently forecast to be CHF 15.0 million in 2017, CHF 27.5 million in 2018, CHF 61.0 million in 2019 and the remainder of CHF 20.1 million in 2020. In line with industry practice, a retention will be withheld from the contractor's payments and released (in the absence of any outstanding defects) two years after completion of the works (i.e., in 2022);

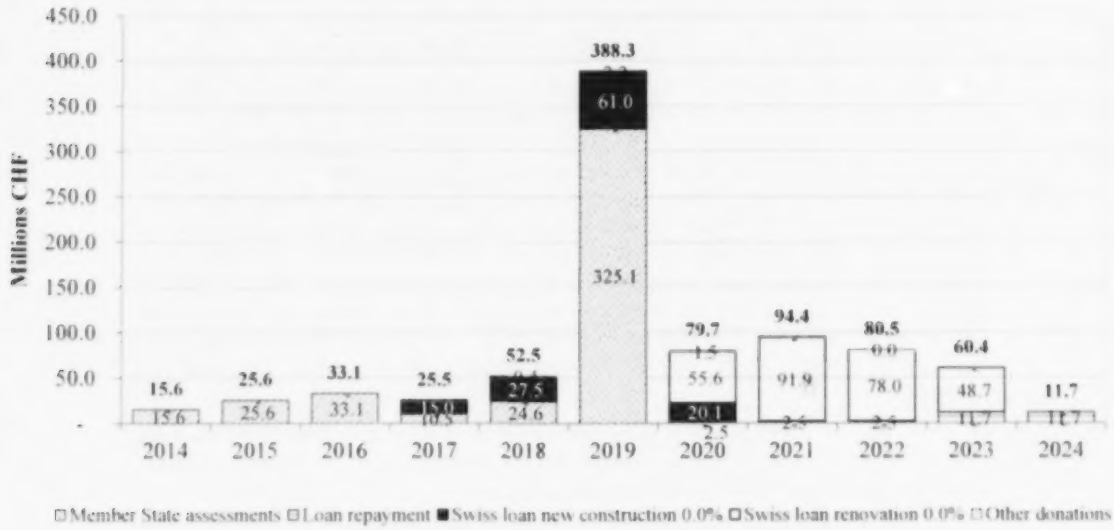
(b) The Swiss loan portion for the renovation works will be used from 2019 onward to fund part of the eligible costs for the renovation works of the existing buildings, the related consultancy services and the dismantling of the building E office tower, for which the current forecast includes an estimated total amount of CHF 276.4 million. As described in previous reports, any remaining costs of construction and consultancy services for the renovation of the existing buildings would be covered by Member States' appropriations and/or donations, the latter depending on the respective level of their earmarking, the timeliness of their receipt and the point at which the actual works are undertaken.

92. As indicated in the previous progress reports, assessed contributions received from Member States will be used each year to fund costs not eligible to be covered by the loan and not to be financed by voluntary contributions. The following options for appropriation and assessment are proposed for decision by the General Assembly and are described below.

Option 1: One-time upfront appropriation and assessment

93. The remaining cost of the project to be financed by Member States from 2019 onward (CHF 325.1 million, excluding repayments of the loan) would be appropriated in its entirety in 2019, together with a one-time upfront assessment for each Member State's related share, based on the regular budget scale of assessment applicable to 2019. The detailed financing scheme of that option is reflected in table B.1 in annex II and in figure XI.

Figure XI
Overall financing overview: upfront appropriation in 2019 and annual use of loans



Option 2: Multi-year appropriations and assessments

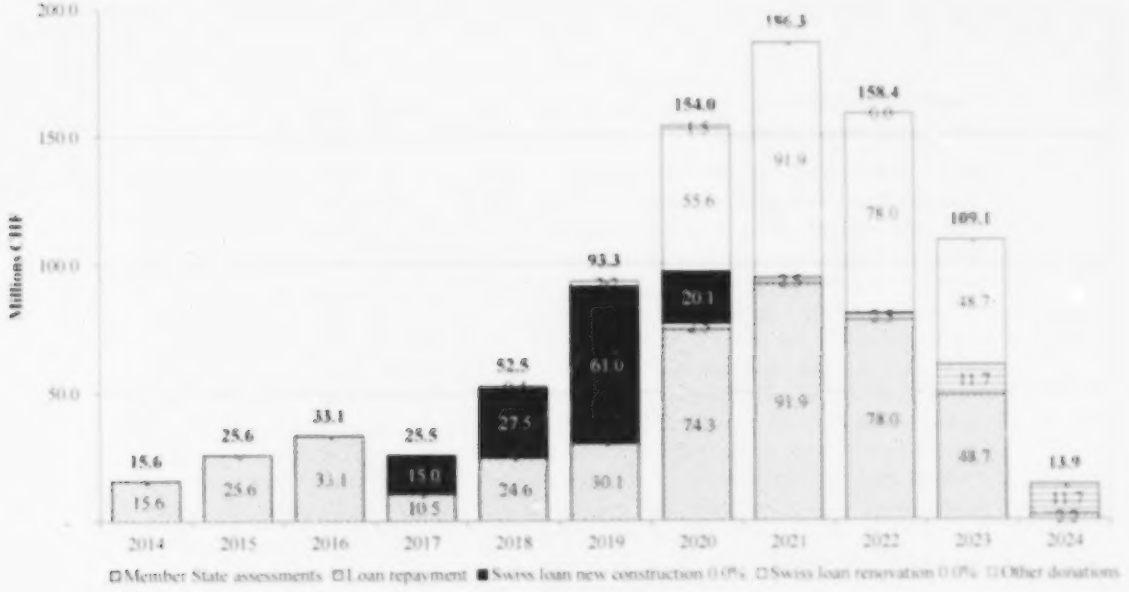
94. Multi-year appropriations and their related annual assessments on Member States could be based on the estimated expenditures for each financial period, or on the average annual projected expenditures, as explained in paragraphs 95 and 96 below. For both options, the regular scales of assessment applicable to each financial

period for which the assessments are made would be used. Also for both options, the amount of any future confirmed income generated through voluntary contributions received that cover elements within the scope of the project would be credited to wards the future yearly appropriation and assessment on Member States in their respective year of applicability to the project costs.

Based on the estimated expenditures for each financial period

95. Figure XII depicts the overall financing scheme based on the estimated expenditures for each financial period (see also table B.2.a in annex II for the detailed financing scheme). The yearly use of the renovation loan and of assessed contributions would be determined annually from 2020 onward as 50 per cent of the total required funding from the loan and 50 per cent from assessed contributions (less any income received from voluntary donations). Depending on the timeliness of the assessment payments received from Member States, there could be some cash flow risks to the project under that option. Should Member States decide, as in previous years, to appropriate the annual amount for the next forthcoming year only, the amount for 2019 would be CHF 30.1 million.

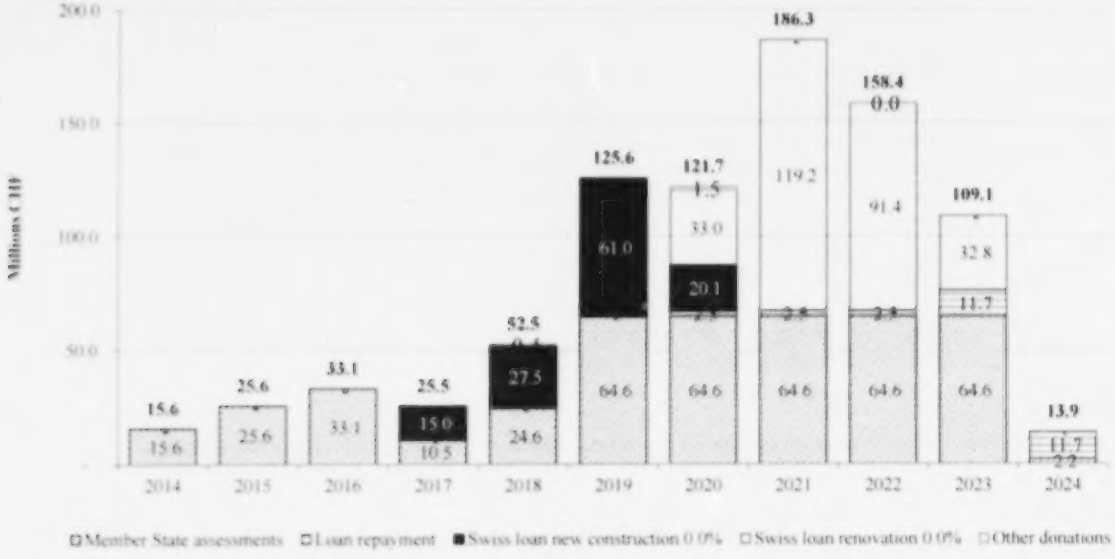
Figure XII
Overall financing overview: appropriation and loans based on annual projected expenditures



Based on the average annual projected expenditures

96. This option would result in equal amounts to be appropriated and assessed at annual intervals. Figure XIII depicts the overall financing scheme with equal annual assessments on Member States, based on the average of the total project resource requirements (see table B.2.b in annex II for the detailed financing scheme). Under that option, the amount to be financed by Member States from 2019 to 2023 would be averaged equally over the five-year period in annual amounts of CHF 64.6 million. The use of the renovation loan would be adjusted accordingly, as also indicated in figure XIII.

Figure XIII
Overall financing overview: equal annual appropriation and annual use of loans



Option 3: One-time upfront appropriation, with mix of one-time and multi-year assessments

97. Under this option, the remainder of the cost of the project to be financed by Member States would be appropriated in its entirety at the beginning of 2019, but individual Member States would then each be able to decide whether their assessment would be in the form of a one-time upfront payment or assessed over a multi-year period. The scheduling of the multi-year assessment could be based on either the estimated expenditures for each financial period or on the average annual projected expenditures for the project. Member States would have to make their selection (upfront or annual payment) upon receipt of the assessment letter in January 2019, which would include the amounts corresponding to the two options. Once a Member State made a decision, it would be irrevocable. As the scale of assessment usually changes every three years, gains and losses might occur as the scale of assessment changes between Member States that select a one-time assessment and those that select a multi-year assessment. Taking that into account, the General Assembly, under this option, would need to decide which scale of assessment to apply for the life of the strategic heritage plan.

98. As indicated in paragraph 88 above, the project is entering into significant high-value multi-year construction contracts which extend beyond one budget year, and this option would be favourable to the project as it would bring added certainty to its financing and possibly lead to upfront payments from some Member States that would create additional cash flow to mitigate any risk in that regard. The Board of Auditors also noted in its report that this option would be advantageous to the strategic heritage plan project owing to the increase in the cash position that would result if the General Assembly chose it, and would therefore provide the most flexibility for the project owner to respond to unforeseen needs and any cash flow risks that might arise during the implementation of the project (see A/73/157, para. 76). The Secretary-General is therefore recommending that the Assembly decide that the scheme of appropriation

for the project would be a one-time upfront appropriation, with a mix of one-time and multi-year assessments.

99. It should also be noted that under this option, the amount of future voluntary contributions received that cover elements within the scope of the project would be either returned to those Member States that have selected the one-time upfront payment option or credited against future yearly assessments of those Member States that have selected the option.

E. Currency of assessment

100. United Nations financial regulation 3.10 provides that annual contributions and advances to the working capital fund shall be assessed and paid in United States dollars. Financial regulation 4.14 also provides that, unless otherwise provided by the General Assembly, special accounts shall be administered in accordance with the Financial Regulations.

101. However, since it is expected that the contracts and related expenditures for the project will be denominated primarily in Swiss francs, and since the loan from the host country will also be in Swiss francs, the General Assembly may wish to decide that the appropriation and assessment for the strategic heritage plan will be in Swiss francs, rather than United States dollars, to match the predominant expenditures. As requested by the Assembly in its resolution 72/262 A, the risks associated with both options (appropriation and assessment in United States dollars or in Swiss francs), as well as possible and planned mitigating measures, are presented in section IV.F below.

F. Currency risk management

102. As requested by the General Assembly in its resolution 72/262 A, the risks associated with the options of appropriation and assessment in either United States dollars or in Swiss francs, as well as any possible and planned mitigating measures, are presented below.

Option 1: Appropriation and assessment in United States dollars

103. Assessments would be issued in United States dollars to Member States in accordance with the scheme of appropriation that the General Assembly would have decided on (see section IV.D above), and Member States would make contributions in United States dollars into a United States dollar bank account. Since the contracts and related expenditures for the strategic heritage plan would be denominated primarily in Swiss francs, receiving contributions from Member States in United States dollars would expose the Organization to a currency risk vis-à-vis the Swiss franc at the time of appropriation if such appropriation takes place on a yearly basis rather than up front. Therefore, the amounts proposed for appropriation for each financial period would be the equivalent in United States dollars of the Swiss franc funding requirements of the project (either projected yearly expenditure or average yearly expenditure), converted at the forward exchange rate at the time of appropriation. As reflected in section XVI, paragraph 22, of Assembly resolution 72/262 A, the amount proposed for appropriation for 2018 was the equivalent in United States dollars of the Swiss franc funding requirements of the project, converted at the revised appropriation rate of exchange of 0.969 Swiss francs/United States dollars.

104. In addition, after appropriation, as the expenditure would occur during the year, there would be an additional exchange rate risk during the annual financial period. To

mitigate the exchange rate risk after appropriation, and as authorized by the General Assembly in its resolution 67/246, the Secretariat continued to purchase Swiss franc forward contracts at the same rate of 0.969 Swiss francs/United States dollars to cover the funding requirements of the project for 2018. The Secretariat intends to continue using that risk-mitigating measure for the duration of the project, should the Assembly decide on appropriation and assessment in United States dollars.

Option 2: Appropriation and assessment in Swiss francs

105. To minimize currency-risk exposure resulting from differing currency denominations between the incoming funds from Member States' contributions and the outgoing funds of the project disbursements, Member States may wish to decide that the appropriation and assessment for the strategic heritage plan be in Swiss francs. That decision would minimize the currency-risk exposure. However, amounts assessed and contributed in Swiss francs, to the extent that resulting balances would exceed certain thresholds, may be subject to negative interest rates, as explained in section IV.G below.

106. Under this option, the General Assembly would decide on appropriations and assessments in Swiss francs, and Member States would make contributions in Swiss francs into a Swiss franc bank account.

G. Negative interest rates

107. A dedicated Swiss franc bank account has been created for the strategic heritage plan project to receive the disbursed loan amounts. The risks related to negative interest rates are being managed and mitigated through a combination of cash-flow management and a negotiated flexibility in the threshold level with the bank, although that may not be sufficient to entirely avoid negative interest, depending on the scheme and currency of appropriation selected. The funds drawn from the Swiss loan will continue to be disbursed in varying instalments throughout each year to match the specific cash flow requirements of the project, with a view to mitigating the risk of negative interest rates. To date, no negative interest charges have been incurred by the project since the previous annual progress report of the Secretary-General (A/72/521).

H. Multi-year special account

108. In the second, third and fourth annual progress reports on the strategic heritage plan (A/70/394, A/70/394/Corr.1, A/71/403, A/71/403/Corr.1 and A/72/521), the Secretary-General proposed that the accounting of the project be undertaken through a multi-year special account, funded through appropriations and assessments separate from the regular budget. It was explained that the establishment of a special account would enable the segregation of the cost of the strategic heritage plan from the programme budget of the Secretariat. That remains the recommendation of the Secretary-General.

109. Although the special account is desirable regardless of the currency of assessment for the reasons outlined above, it should be noted that it would be essential if Swiss francs were chosen as the currency of assessment, as the multi-year construction-in-progress account established within the regular budget of the United Nations, which is denominated in United States dollars, would not be able to accommodate appropriations and assessments in Swiss francs.

110. It should be noted that, in order to avoid keeping a multi-year special account open over an extended period, the yearly repayments of the loans would be funded under the special account for the duration of the project but would thereafter be included in the regular budget for the relevant periods. The multi-year special account would be closed after the financial and administrative close out of the project, once assessments have been paid in full by all Member States.

I. Cash-flow risk

111. The Secretary-General considers that of the three appropriation and assessment options, the first (a one-time upfront appropriation and assessment) and probably also the third (a one-time upfront appropriation, with a mix of one-time and multi-year assessments) would increase the cash position at the start of the project, providing the capacity to respond to any cash flow requirement that may arise. The second option (multi-year appropriations and assessments) would present some cash-flow risks. The Secretary-General therefore emphasizes the need for Member States to pay the amounts assessed for the project on time and in full.

J. Update on alternative funding opportunities

1. Donations

Secured donations related to the objectives of the strategic heritage plan project

112. The United Nations Office at Geneva continues to remain proactive in its efforts to solicit donors to contribute towards the financing of the construction and renovation work at the Palais des Nations.

113. During the reporting period, a memorandum of understanding for the comprehensive renovation of conference room XIX in building E was signed with Qatar. The donated works are being designed, undertaken and paid for directly by Qatar in advance of the strategic heritage plan works to building E and are therefore fully coordinated with the project works but supervised by the Facility Management Section. As previously reported in the second annual progress report of the Secretary-General (see A/70/394, paras. 115–117), the donated works were already anticipated when the project scope was approved and therefore do not have an impact on the scope of the project.

Other contributions from Member States to the strategic heritage plan

114. As originally reported in the fourth annual progress report of the Secretary-General (see A/72/521, para. 119), Germany provided funding for a position of Junior Professional Officer (at the P-2 level) within the programme management team of the strategic heritage plan, through the Junior Professional Officers programme. That funding has continued for a second year and is anticipated to continue for a third, upon the agreement that the plan will provide funding for the position for a fourth year. The position is primarily supporting the financial administration, contracts and programme management functions of the project.

Further possible donations to the United Nations Office at Geneva

115. Further donations, while offered in the context of the strategic heritage plan, may consist of elements that are not within the scope of the plan and therefore would not offset its overall costs, including, for example, works to the various villas located in the grounds of the Palais, the preservation of certain heritage elements or the creation of recreational facilities, landscaping features or certain security installations.

116. Since the fourth annual progress report, Senegal has continued to express interest in making a potential cash donation, which is currently subject to ratification by its parliament. Turkey has expressed interest in financing the creation of a new delegates lounge/coffee bar in building E. In addition, expressions of interest in donations have been received from India, the Netherlands, Switzerland and the city of Geneva.

117. A private foundation has approached the Organization with a potential donation for the financing and construction of a new visitors' centre. The donation could considerably enhance assistance to visitors wishing to gain more information about the work of the United Nations and greatly improve the security management of visitors. Discussions are being held to develop those plans in further detail.

2. Possible further alternative funding mechanisms

118. The General Assembly decided, in its resolution 72/262 A, that all income from the rental or valorization of land owned by the Organization in Geneva will be reflected under income section 2, General income, of the proposed programme budget for the biennium 2018–2019. That decision reversed the guidance given in resolution 70/248 A, in which the Assembly reiterated the importance of ensuring that alternative funding mechanisms, including from valorization, were factored into the overall financing scheme in order to reduce assessments on Member States.

V. Other related considerations

A. Valorization of United Nations-owned land in Geneva

119. Pursuant to resolution 70/248 A, the Secretary-General has continued to pursue opportunities to valorize land and other assets owned by the Organization in Geneva. Since the most recent progress report of the Secretary-General (A/72/521), the United Nations has concluded the tender for specialist valorization consultants and work is now progressing with those consultants. A pictorial overview of the areas identified as having the most significant valorization potential in the context of funding the strategic heritage plan, as described in the third annual progress report of the Secretary-General (see A/71/403, paras. 97–115), is shown in figure XIV.

Figure XIV
Overview of plots of land owned and/or operated by the United Nations Office at Geneva with significant valorization potential

Villa Feuillantines
Parc des Feuillantines
United Nations Training Centre Annex Bocage
Villa Remise and various outbuildings
Fondation de l'École internationale de Genève
Club internationale de tennis
Villa La Fenêtre
Plots that have valorization potential
Plots not owned by office but will be incorporated into valorization agreement
Buildings/plots that will not be valorized

120. In accordance with section XVIII, paragraph 23, of resolution 71/272 A, in which the General Assembly urged the Secretary-General to ensure that the long-term interests of the United Nations in Geneva were preserved through long-term community-oriented leasing arrangements, building upon the experience and lessons learned from the successful negotiation of the Villa Feuillantines lease and in accordance with the recommendations of the most recent report of the Board of Auditors (A/73/157), a more comprehensive development strategy for the valorization of the large section of land encompassing the training centre, groundskeepers' workshops, the Fondation de l'École internationale de Genève and the Club internationale de tennis is being developed.

Progress of valorization activities

121. In his third annual progress report on the strategic heritage plan (A/71/403 and A/71/403/Corr.1), the Secretary-General proposed the establishment of a dedicated valorization team to be supported by specialist consultancy firms in the areas of real estate advisory services, architectural design and planning services and legal services. The General Assembly, in section XVIII, paragraph 24, of its resolution 71/272 A, recommended instead only the use of expert consultancy services for that purpose, to be funded under section 29F of the programme budget. Subsequently, the progress of activities related to valorization during the period covered in the Secretary-General's fourth annual progress report were constrained by the reduced resources available under section 29F of the programme budget (see A/72/521, paras. 114–116).

122. During the previous reporting period, the procurement and selection of an expert consultancy firm was successfully concluded, resulting in the appointment of two firms, on an on-call basis, to cover the broad range of specialist services required.

Further valorization works have now begun and, in accordance with the recent recommendations of the Board of Auditors (see A/73/157), more detailed development options are being prepared to enable the realization of the valorization potential.

123. Prior to embarking on the further detailed valorization work described above, the assessment of the value to be achieved through valorization of the land identified was estimated to be within a range of between CHF 50 million and CHF 100 million.

124. With regard to the finalization with the Fondation pour la Cité de la Musique de Genève of a 90-year lease with development rights for the Villa and Parc des Feuillantines land in the amount of CHF 25.6 million, extensive legal work has been undertaken by a local law firm to further develop the detailed terms of the lease agreement in full cooperation with the Office of Legal Affairs. That has been done to ensure the lease's adherence to both United Nations legal requirements and the relevant provisions of the Swiss law and to ensure the necessary alignment with the Fondation and the Canton of Geneva's lease agreement for the adjacent plots of land.

125. The agreement, which is currently being concluded and is estimated to be finalized by the end of 2018, would be payable in advance at one ninetieth of the full amount per annum, until the Fondation pour la Cité de la Musique de Genève receives its building permit (estimated to be during 2021), at which point the remaining balance will be due in full. The lease includes a revaluation clause at the midpoint of the 90-year lease period to ensure that the amount paid up front for the lease remains in accordance with the market value estimated at the outset of the agreement.

126. The Fondation de l'École internationale de Genève has leased its current site, on which it has constructed and maintained a primary school building, since 1969. Faced with significant increases in lease costs, paired with a declining demand for primary schools in Geneva, the Fondation informed the United Nations Office at Geneva of its intent to consolidate its current primary school facilities with those located on another of its nearby sites. That development has unlocked the potential to valorize a much greater portion of the land, either separately or as a much larger contiguous development plot by combining it with other adjacent land, which would include the Villa Remise and other various outbuildings and land currently utilized by groundskeepers in the immediate vicinity of the school, an area of approximately 7,300 square metres. Although the groundskeeper facilities would need to be relocated and new facilities would have to be constructed elsewhere on the campus, the value associated with long-term community-oriented leasing of the land would be considerably in excess of the cost of relocating and providing new facilities.

127. The possibility of relocating the United Nations Training Centre staff currently housed in the Annex Bocage and to jointly utilize and adapt some of the existing facilities in the main Palais buildings is being explored. If proved viable, it could allow the current Annex buildings to be demolished and the land to be fully valorized, especially if it were to be developed for long-term community-oriented leasing in conjunction with adjacent plots.

128. With the latest developments during the reporting period as described above, including approximately CHF 25 million of surplus valorization income nearly secured for 2020 from the Villa Feuillantines land, it can now realistically be envisaged that the original estimated value range of between CHF 50 million and CHF 100 million could increase to an estimated range of between CHF 80 million to CHF 133 million. The valorization work currently under way will develop further potential development scenarios, together with further revised estimates of the amount and timing of receipt of the income to be expected from valorization.

Utilization of surplus income from valorization activities

129. Subsequent to the decision of the General Assembly in section XVI, paragraph 14, of its resolution 72/262 A, that all income from the rental or valorization of land owned by the Organization in Geneva was to be reflected under income section 2, General income, of the proposed programme budget for the biennium 2018–2019, the Secretary-General, as outlined earlier in the present report and in view of his request that the Assembly endorse the implementation of ventilation and cooling, including flexible workplace strategies, in the historic buildings of the Palais des Nations, taking fully into account the imperative to preserve their heritage, recommends that it authorize the use of valorization income to ultimately offset any Member State appropriations to fund the associated costs.

B. Security master plan considerations

130. As described in the fourth annual progress report of the Secretary-General, the United Nations Office at Geneva, in close liaison with the Department of Safety and Security, has continued to actively engage in developing a security master plan for the United Nations premises in Geneva. In that regard a comprehensive security assessment was undertaken and a final report was received in January 2018.

131. The Secretary-General has determined that the security provisions initially envisaged in the scope of the strategic heritage plan remain valid, with some changes required to bring the design of the project fully in line with the updated security master plan. The required changes are relatively minor and will not have an adverse impact on the cost or schedule of the strategic heritage plan. The Secretariat is in the process of assessing and prioritizing the related resource requirements for the security master plan and will report to the General Assembly separately on the issue.

C. Expansion of Geneva's main train station and track infrastructure

132. The host country authorities have informed the United Nations Office at Geneva of a major regional transportation infrastructure project planned by the Swiss Federal Railways with a view to extending the capacity of Geneva's main train station. The project would entail carrying out construction and tunnelling works at the south end of Ariana Park, alongside the current railway tracks. It is estimated that the relevant construction works would not start until 2025. Preliminary discussions on the project have begun with the Federal, Canton and City authorities and the Swiss Federal Railways. The project would not have an impact on the strategic heritage plan or any of the buildings on the campus.

D. Works of art, masterpieces and other gifts

133. An exhaustive inventory of art works and gifts has been finalized in full coordination with the United Nations Library Service. It contains a comprehensive analysis, including information about the protection and conservation of the most valuable pieces and recommendations regarding the modalities of adequate exhibition in the future, following the completion of the strategic heritage plan. Extensive work has been done to define the detailed art and heritage specifications to be included in the technical documents of the renovation works contract packages, including in particular the protection measures to be taken when moving mobile artworks or shielding fixed artworks from site activities. To date, no offers have been received from Member States to assure responsibility for the care of their gifts or works of art,

masterpieces and other items; additional outreach to the relevant Member States will occur ahead of the commencement of the planned renovation works in 2019.

VI. Next steps

134. The project envisages that the following significant project design and construction activities will be carried out over the next two years:

(a) The completion of the technical design and tender documentation for the renovation works to the 1930s historic Palais buildings during 2018;

(b) The progression and finalization of the procurement activities necessary to select a construction contractor for the renovation of the existing 1930s historic buildings during 2019;

(c) The commencement of the renovation works to the 1930s historic Palais buildings during 2019;

(d) The continuation of the design and preparation of the tender documentation for the renovation works to the 1970s building E during 2019 and 2020;

(e) The completion of the construction of the new permanent building H in 2020 and the beginning of the movement of staff into the completed building.

VII. Recommended actions to be taken by the General Assembly

135. **The General Assembly is requested to:**

(a) Take note of the present report and the progress made since the issuance of the fourth annual progress report of the Secretary-General (A/72/521);

(b) Approve the request of the Secretary General to proceed with the implementation of ventilation and cooling, including flexible workplace strategies, in the historic buildings of the Palais des Nations, taking into account the imperative to preserve their heritage, and authorize the use of future valorization income to ultimately offset any related increase in the overall Member States appropriation and assessment to the project and, in that regard, appropriate the additional amount of 10 million Swiss francs for 2019;

(c) Decide on the scheme of appropriation and assessment for the strategic heritage plan, as recommended in paragraph 98, and on the currency of appropriation and assessment;

(d) Approve the establishment of a multi-year special account for the project;

(e) Take note of the intention of the Secretary-General to include the annual repayments of the loans under the special account for the duration of the project, and under the regular budget for the relevant periods thereafter.

Annex I

Expenditures by funding source

Table A.1
Approved funding from Member States, realized and projected expenditures for 2014–2018
(Thousands of Swiss francs)

	(A)	(B)	(C = A + B)	(D)	(E)	(F = D + E)
Description	*Approved Member State funding 2014–2017*	*Approved Member State funding 2018*	*Total approved Member State funding 2014–2018*	*Expenditures as at 31 July 2018*	*Projected August–December 2018*	*Total projected expenditures 2014–2018*
Construction and refurbishment	3 608.0	12 441.0	16 049.0	75.4	2 364.3	2 439.7
Design, consultancy and contracted external expertise	67 667.6	5 809.0	73 476.6	79 964.2	1 583.8	81 548.0
Associated costs	782.4	1 688.0	2 470.4	1 004.2	370.1	1 374.3
Project management team and operational expert team	12 512.6	4 577.7	17 090.3	13 948.3	2 127.7	16 076.0
Travel	258.2	84.3	342.5	255.3	67.1	322.4
Total	**84 828.8**	**24 600.0**	**109 428.8**	**95 247.4**	**6 513.0**	**101 760.4**

Table A.2
Approved funding from the Swiss loan, realized and projected expenditures for 2014–2018
(Thousands of Swiss francs)

	(A)	(B)	(C = A + B)	(D)	(E)	(F = D + E)
Description	*Swiss loan funding received 2017*	*Projected Swiss loan funding 2018*	*Total projected Swiss loan funding 2017–2018*	*Expenditures as at 31 July 2018*	*Projected August–December 2018*	*Total projected expenditures 2014–2018*
Construction and refurbishment	10 109.4	24 785.7	34 895.0	28 543.0	6 352.0	34 895.0
Design, consultancy and contracted external expertise	4 890.6	2 707.7	7 598.3	7 202.7	395.6	7 598.3
Total	**15 000.0**	**27 493.4**	**42 493.3**	**35 745.7**	**6 747.6**	**42 493.3**

Table A.3
Approved funding from other sources, realized and projected expenditures for 2014–2018
(Thousands of Swiss francs)

	(A)	(B)	(C = A + B)	(D)	(E)	(F = D + E)
Description	*Other funding received 2014–2017*	*Projected other funding 2018*	*Total projected other funding 2014–2018*	*Expenditures as at 31 July 2018*	*Projected August–December 2018*	*Total projected expenditures 2014–2018*
Design, consultancy and contracted external expertise	–	415.0	415.0	210.5	204.5	415.0
Total	**–**	**415.0**	**415.0**	**210.5**	**204.5**	**415.0**

Annex II

Table B.1

Overall financing overview: upfront appropriation and loans, in Swiss francs

(Millions of Swiss francs)

	Strategic heritage plan project period (2014–2024)												*Loan repayment period (2025–2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*Total*	*2025–2052*	*2053–2068*	*Total*	
Member State appropriation	15.6	25.6	33.1	10.5	24.6	325.1	–	–	–	–	–	434.6				434.6
Swiss loan new construction 0.0%	–	–	–	15.0	27.5	61.0	20.1	–	–	–	–	123.6				
Swiss loan renovation 0.0%	–	–	–	–	–	2.2	55.6	91.9	78.0	48.7	–	276.4				
Other donations[a]	–	–	–	–	0.4	–	1.5	–	0.0	–	–	1.9				
Prior year-end balance carried forward	–	12.7	11.7	3.9	5.9	7.7	–	–	–	–	–	41.9				
Balance at year-end to carry forward to next year[b]	(12.7)	(11.7)	(3.9)	(5.9)	(7.7)	–	–	–	–	–	–	(41.9)				
Total, financing sources	**3.0**	**26.6**	**40.8**	**23.5**	**50.8**	**396.0**	**77.2**	**91.9**	**78.0**	**48.7**	**–**	**836.5**				
Member State appropriation for repayment of loans																
Swiss loan new construction 0.0%	–	–	–	–	–	–	2.5	2.5	2.5	2.5	2.5	12.4	69.2	42.0	111.2	123.6
Swiss loan renovation 0.0%	–	–	–	–	–	–				9.2	9.2	18.4	258.0	–	258.0	276.4
Subtotal, appropriation loan repayment	**–**	**–**	**–**	**–**	**–**	**–**	**2.5**	**2.5**	**2.5**	**11.7**	**11.7**	**30.8**	**327.2**	**42.0**	**369.2**	**400.0**
Total, Member State assessments	**15.6**	**25.6**	**33.1**	**10.5**	**24.6**	**325.1**	**2.5**	**2.5**	**2.5**	**11.7**	**11.7**	**465.4**	**327.2**	**42.0**	**369.2**	**834.6**

[a] The amounts refer to financial contributions from China and Monaco. The amount currently forecast to be utilized in 2022 amounts to CHF 22,000 and therefore does not appear in the present table, as amounts in the table are rounded to millions of Swiss francs.

[b] The projected year-end balance for 2018 is based on the assumption that the assigned contingency for 2018 would be used in 2018. The year-end balances of previous years reflect the difference between the actual expenditures and the sum of the total financing received plus the respective previous year's carry-over of the preceding year.

Overall financing overview: upfront appropriation and loans, in United States dollars[a]

(Millions of United States dollars)

	Strategic heritage plan project period (2014–2024)											*Loan repayment period (2025–2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*Total*	*2025–2052*	*2053–2068*	*Total*
Member State appropriation	15.3	28.5	33.5	10.9	25.4	335.6	–	–	–	–	–	449.2			449.2
Swiss loan new construction 0.0%	–	–	–	15.6	28.4	62.9	20.8	–	–	–	–	127.7			
Swiss loan renovation 0.0%	–	–	–	–	–	2.3	57.4	94.9	80.5	50.3	–	285.3			
Other donations[b]	–	–	–	–	0.4	–	1.5	–	0.0	–	–	2.0			
Prior year-end balance carried forward	–	13.9	12.2	4.0	6.2	7.9	–	–	–	–	–	44.2			
Balance at year-end to carry forward to next year[c]	(13.9)	(12.2)	(4.0)	(6.2)	(7.9)	–	–	–	–	–	–	(44.2)			
Total, financing sources	**1.4**	**30.2**	**41.7**	**24.4**	**52.4**	**408.6**	**79.7**	**94.9**	**80.5**	**50.3**	**–**	**864.1**			
Member State appropriation for repayment of loans															
Swiss loan new construction 0.0%	–	–	–	–	–	–	2.6	2.6	2.6	2.6	2.6	12.8	71.4	43.4	114.8	127.5
Swiss loan renovation 0.0%	–	–	–	–	–	–	–	–	–	9.5	9.5	19.0	266.2	–	266.2	285.3
Subtotal, appropriation loan repayment	–	–	–	–	–	–	**2.6**	**2.6**	**2.6**	**12.1**	**12.1**	**31.8**	**337.7**	**43.4**	**381.0**	**412.8**
Total, Member State assessments	**15.3**	**28.5**	**33.5**	**10.9**	**25.4**	**335.6**	**2.6**	**2.6**	**2.6**	**12.1**	**12.1**	**480.9**	**337.7**	**43.4**	**381.0**	**862.0**

[a] Figures for 2014 and 2015 have been converted from Swiss francs to United States dollars using the rates of exchange applicable to the final appropriation for the biennium 2014–2015 (see A/70/557, schedule 4), i.e., at 0.912 for 2014 and 0.956 for 2015. Figures for 2016 and thereafter have been converted from Swiss francs to United States dollars using the exchange rates applicable to the revised appropriation for the biennium 2016–2017, i.e., at 0.989 for 2016, 0.960 for 2017 and 0.969 for each year from 2018 onward.

[b] The amounts refer to financial contributions from China and Monaco. The amount currently forecast to be utilized in 2022 converts to USD 22,703.82 and therefore does not appear in the present table, as amounts in the table are rounded to millions of United States dollars.

[c] The projected year-end balance for 2018 is based on the assumption that the assigned contingency for 2018 would be used in 2018. The year-end balances of previous years reflect the difference between the actual expenditures and the sum of the total financing received plus the respective previous year's carry-over of the preceding year.

Table B.2.a

Overall financing overview: equal annual appropriation and loans, in Swiss francs

(Millions of Swiss francs)

	Strategic heritage plan project period (2014–2024)												*Loan repayment period (2025–2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*Total*	*2025–2052*	*2053–2068*	*Total*	
Member State appropriation	15.6	25.6	33.1	10.5	24.6	30.1	74.3	91.9	78.0	48.7	2.2	434.6				434.6
Swiss loan new construction 0.0%	–	–	–	15.0	27.5	61.0	20.1	–	–	–	–	123.6				
Swiss loan renovation 0.0%	–	–	–	–	–	2.2	55.6	91.9	78.0	48.7	–	276.4				
Other donations[a]	–	–	–	–	0.4	–	1.5	–	0.0	–	–	1.9				
Prior year-end balance carried forward	–	32.7	11.7	3.9	5.9	7.7	–	–	–	–	–	41.9				
Balance at year-end to carry forward to *next year*[b]	*(32.7)*	*(33.7)*	*(3.9)*	*(5.9)*	*(7.7)*	–	–	–	–	–	–	*(41.9)*				
Total, financiag sources	**3.0**	**26.6**	**40.8**	**23.5**	**50.8**	**100.9**	**151.5**	**183.8**	**156.0**	**97.4**	**2.2**	**836.5**				
Member State appropriation for repayment of loans																
Swiss loan new construction 0.0%	–	–	–	–	–	–	2.5	2.5	2.5	2.5	2.5	12.4	69.2	42.0	111.2	123.6
Swiss loan renovation 0.0%	–	–	–	–	–	–	–	–	–	9.2	9.2	18.4	258.0	–	258.0	276.4
Subtotal, appropriation loan repayment	–	–	–	–	–	–	**2.5**	**2.5**	**2.5**	**11.7**	**11.7**	**30.8**	**327.2**	**42.0**	**369.2**	**400.0**
Total, Member State assessments	**15.6**	**25.6**	**33.1**	**10.5**	**24.6**	**30.1**	**76.7**	**94.4**	**80.4**	**60.4**	**13.9**	**465.4**	**327.2**	**42.0**	**369.2**	**834.6**

[a] The amounts refer to financial contributions from China and Monaco. The amount currently forecast to be utilized in 2022 amounts to CHF 22,000 and therefore does not appear in the present table, as amounts in the table are rounded to millions of Swiss francs.

[b] The projected year-end balance for 2018 is based on the assumption that the assigned contingency for 2018 would be used in 2018. The year-end balances of previous years reflect the difference between the actual expenditures and the sum of the total financing received plus the respective previous year's carry-over of the preceding year.

Overall financing overview: equal annual appropriation and loans in United States dollars[a]

(Millions of United States dollars)

	Strategic heritage plan project period (2014–2024)											*Loan repayment period (2025–2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*Total*	*2025–2052*	*2053–2068*	*Total*
Member State appropriation	15.3	28.5	33.5	10.9	25.4	31.1	76.6	94.9	80.5	50.3	2.3	449.2			449.2
Swiss loan new construction 0.0%	–	–	–	15.6	28.4	62.9	20.8	–	–	–	–	127.7			
Swiss loan renovation 0.0%	–	–	–	–	–	–	57.4	94.9	80.5	50.6	–	285.3			
Other donations[b]	–	–	–	–	0.4	–	1.5	–	0.0	–	–	2.0			
Prior year-end balance carried forward	–	13.9	12.2	4.0	6.2	7.9	–	–	–	–	–	44.2			
Balance at year-end to carry forward to next year[c]	(13.9)	(12.2)	(4.0)	(6.2)	(7.9)	–	–	–	–	–	–	(44.2)			
Total, financing sources	**1.4**	**30.2**	**41.7**	**24.4**	**52.4**	**137.5**	**123.0**	**189.7**	**161.0**	**100.5**	**2.3**	**864.1**			
Member State appropriation for repayment of loans															
Swiss loan new construction 0.0%	–	–	–	–	–	–	2.6	2.6	2.6	2.6	2.6	12.8	71.4	43.4	114.8	127.5
Swiss loan renovation 0.0%	–	–	–	–	–	–	–	–	–	9.5	9.5	19.0	266.2	–	266.2	285.3
Subtotal, appropriation loan repayment	–	–	–	–	–	–	**2.6**	**2.6**	**2.6**	**12.1**	**12.1**	**31.8**	**337.7**	**43.4**	**381.0**	**412.8**
Total, Member State assessments	**15.3**	**28.5**	**33.5**	**10.9**	**25.4**	**31.1**	**79.2**	**97.4**	**83.0**	**62.3**	**14.3**	**480.9**	**337.7**	**43.4**	**381.0**	**862.0**

[a] Figures for 2014 and 2015 have been converted from Swiss francs to United States dollars using the rates of exchange applicable to the final appropriation for the biennium 2014–2015 (see A/70/557, schedule 4), i.e., at 0.912 for 2014 and 0.956 for 2015. Figures for 2016 and thereafter have been converted from Swiss francs to United States dollars using the exchange rates applicable to the revised appropriation for the biennium 2016–2017, i.e., at 0.989 for 2016, 0.960 for 2017 and 0.969 for each year from 2018 onward.

[b] The amounts refer to financial contributions from China and Monaco. The amount currently forecast to be utilized in 2022 converts to USD 22,703.82 and is therefore too small to appear in the present table, as amounts in the table are rounded to millions of United States dollars.

[c] The projected year-end balance for 2018 is based on the assumption that the assigned contingency for 2018 would be used in 2018. The year-end balances of previous years reflect the difference between the actual expenditures and the sum of the total financing received plus the respective previous year's carry-over of the preceding year.

Table B.2.b

Overall financing overview: equal annual appropriation and loans, in Swiss francs

(Millions of Swiss francs)

	Strategic heritage plan project period (2014–2024)											*Loan repayment period (2025–2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025–2032*	*2033–2068*	*Total*	
Member State appropriation	15.6	25.6	33.1	10.5	24.6	64.6	64.6	64.6	64.6	64.6	2.2	434.6			434.6
Swiss loan new construction 0.0%	–	–	–	–	15.0	27.5	61.0	20.1	–	–	–	123.6			
Swiss loan renovation 0.0%	–	–	–	–	–	–	–	33.0	119.2	91.4	32.8	–	276.4		
Other donations[a]	–	–	–	–	–	0.4	–	1.5	–	0.0	–	–	1.9		
Prior year-end balance carried forward	–	12.7	11.7	3.9	5.9	7.7	–	–	–	–	–	41.9			
Balance at year-end to carry forward to next year[b]	(12.7)	(11.7)	(3.9)	(5.9)	(7.7)	–	–	–	–	–	–	(41.9)			
Total, financing sources	**3.0**	**26.6**	**40.8**	**23.5**	**50.8**	**133.2**	**119.2**	**183.8**	**156.0**	**97.4**	**2.2**	**836.5**			
Member State appropriation for repayment of loans															
Swiss loan new construction 0.0%						–	2.5	2.5	2.5	2.5	2.5	12.4	69.2	42.0	111.2	123.6
Swiss loan renovation 0.0%										9.2	9.2	18.4	258.0	–	258.0	276.4
Subtotal, appropriation loan repayment	–	–	–	–	–	–	**2.5**	**2.5**	**2.5**	**11.7**	**11.7**	**30.8**	**327.2**	**42.0**	**369.2**	**400.0**
Total, Member State assessments	**15.6**	**25.6**	**33.1**	**10.5**	**24.6**	**64.6**	**67.1**	**67.1**	**67.1**	**76.3**	**13.9**	**465.4**	**327.2**	**42.0**	**369.2**	**834.6**

[a] The amounts refer to financial contributions from China and Monaco. The amount currently forecast to be utilized in 2022 amounts to CHF 22,000 and therefore does not appear in the present table, as amounts in the table are rounded to millions of Swiss francs.

[b] The projected year-end balance for 2018 is based on the assumption that the assigned contingency for 2018 would be used in 2018. The year-end balances of previous years reflect the difference between the actual expenditures and the sum of the total financing received plus the respective previous year's carry-over of the preceding year.

Overall financing overview: equal annual appropriation and loans in United States dollars[a]

(Millions of United States dollars)

	Strategic heritage plan project period (2014–2024)												*Loan repayment period (2025–2068) to be appropriated under the United Nations regular budget*			*Overall cost to Member States*
	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*Total*	*2025–2052*	*2053–2068*	***Total***	
Member State appropriation	15.3	28.5	33.5	10.9	25.4	66.7	66.7	66.7	66.7	66.7	2.3	449.2				449.2
Swiss loan new construction 0.0%	–	–	–	15.6	28.4	62.9	20.8	–	–	–	–	127.7				
Swiss loan renovation 0.0%	–	–	–	–	–	–	34.1	123.1	94.3	33.9	–	285.3				
Other donations[b]	–	–	–	–	0.4	–	1.5	–	0.0	–	–	2.0				
Prior year-end balance carried forward	–	13.9	12.2	4.0	6.2	7.9	–	–	–	–	–	44.2				
Balance at year-end to carry forward to next year[c]	(13.9)	(12.2)	(4.0)	(6.2)	(7.9)	–	–	–	–	–	–	(44.2)				
Total, financing sources	**1.4**	**30.2**	**41.7**	**24.4**	**52.4**	**137.5**	**123.0**	**189.7**	**161.0**	**100.5**	**2.3**	**864.1**				
Member State appropriation for repayment of loans																
Swiss loan new construction 0.0%	–	–	–	–	–	–	2.6	2.6	2.6	2.6	2.6	12.8	71.4	43.4	114.8	127.5
Swiss loan renovation 0.0%	–	–	–	–	–	–	–	–	–	9.5	9.5	19.0	266.2	–	266.2	285.3
Subtotal, appropriation loan repayment	–	–	–	–	–	–	**2.6**	**2.6**	**2.6**	**12.1**	**12.1**	**31.8**	**337.7**	**43.4**	**381.0**	**412.8**
Total, Member State assessments	**15.3**	**28.5**	**33.5**	**10.9**	**25.4**	**66.7**	**69.2**	**69.3**	**69.3**	**78.8**	**14.8**	**480.9**	**337.7**	**83.0**	**381.0**	**862.8**

[a] Figures for 2014 and 2015 have been converted from Swiss francs to United States dollars using the rates of exchange applicable to the final appropriation for the biennium 2014–2015 (see A/70/557, schedule 4), i.e., at 0.912 for 2014 and 0.956 for 2015. Figures for 2016 and thereafter have been converted from Swiss francs to United States dollars using the exchange rates applicable to the revised appropriation for the biennium 2016–2017 (i.e., at 0.989 for 2016, 0.980 for 2017 and 0.969 for each year from 2018 onward.

[b] The amounts refer to financial contributions from China and Monaco. The amount currently foreseen to be offered in 2022 converts to USD 22 703.82 and is therefore too small to appear in the present table, as amounts in the table are rounded to millions of United States dollars.

[c] The projected year-end balance for 2018 is based on the assumption that the assigned contingency fund (2018 would be as at 2018. The year-end balances of previous years reflect the difference between the actual expenditures and the sum of the total financing received plus the respective [illegible] year's carry-over of the preceding year.

Annex III

Status of implementation of recommendations of the Board of Auditors

A. Status of implementation of recommendations of the Board of Auditors related to the strategic heritage plan contained in the financial report and audited financial statements for the year ended 31 December 2016 and report of the Board of Auditors, volume I[1]

Recommendation	*Action reported by management*
The governance structure should be adjusted to preclude any risk of conflicts of interest. In particular, the role of the Director of Administration as senior user must be segregated from the duties of the project executive and from the duties of the strategic heritage plan project director.	Implemented
The project owner should put in place both independent and integrated risk management, as separate functions, and revise and specify the liaison of the two different risk management functions in the strategic heritage plan programme manual.	Implemented
The project owner should seek a framework for staff continuity within the strategic heritage plan project.	Under implementation
The strategic heritage plan team should finalize the parts of the programme manual related to the construction phase and the project owner should approve and implement the programme manual.	Under implementation
For future strategic heritage plan solicitations, the United Nations Office at Geneva should review whether impacts of acceptance and non-acceptance of substantial contract clauses are appropriately reflected in the evaluation methodology and criteria.	New building implemented, renovation under implementation
The United Nations Office at Geneva should involve local lawyers and review whether amendments/clarifications on the warranty regime as set forth in the contract (including the conditions and the specifications) are deemed necessary and feasible. If so, the Office may wish to consider developing a clear and comprehensive warranty regime in the contract.	Implemented
The United Nations Office at Geneva should review whether amendments or clarifications are deemed necessary on whether and to what extent further stipulations of Swiss standards SIA 118 and SIA 118/380 (relating to payment, claims, etc.) are to apply.	Implemented
Concerning future contract drafting, the United Nations Office at Geneva should ensure that general contract terms and specifications are aligned more closely.	Under implementation

[1] A/72/5 (Vol. I) and A/72/5 (Vol. I)/Corr.1.

Recommendation	*Action reported by management*
The Administration should take effective action during the procurement process for the strategic heritage plan because any further delay will jeopardize meeting the envisaged start date of the construction. Nonetheless, accuracy and rigorous leadership of actions must be ensured because weaknesses in that regard may cause further delays.	Implemented

B. Status of implementation of recommendations of the Board of Auditors contained in its report on the strategic heritage plan[2]

Recommendation	*Action reported by management*
Management should update the risk management strategy for the strategic heritage plan to align it more closely with the guidelines for the management of construction projects.	Under implementation
Management should establish a process with additional mitigation strategies in the event that the confidence level with regard to completing the strategic heritage plan within the budget decreases below 50 per cent.	Under implementation
Management should ensure reconciliation of occurred risks and the corresponding contingency usage, and track the accrued cost against the initial baseline costs.	Under implementation
Management should take appropriate actions to accelerate the construction work on building H to mitigate the current delay and to finalize the drafted technical variations to the contract with the construction firm working on building H.	Under implementation
Management should consider fallback options in the event of delays in design for buildings B2, C, D and S and in construction work for building A.	Under implementation
Management should review, with regard to upcoming procurement procedures, whether it is inevitable that all bidders will need to contact a designated subcontractor during the bidding stage.	Under implementation
Management should ensure that sensitive information on the procurement procedure is kept confidential by designated subcontractors, e.g., by concluding non-disclosure agreements that explicitly cover information connected to the procurement process.	Under implementation
Management should consider whether, if the conditions of contract are to be subject to negotiation, the scoring of acceptance of the conditions of contract should be more flexible and differentiate between minor and major modifications requested by bidders.	Under implementation
Management should urgently decide on how to implement flexible workplace strategies on all floors of the new building to avoid any further risk of amendments, delays and extra costs for the general contractor.	Implemented

[2] A/73/157.

Recommendation	*Action reported by management*
Management should base the calculation of energy savings on sound and reliable data on the energy consumption at the Palais des Nations before the implementation of the strategic heritage plan started, namely, before the start of construction work on the new building.	Under implementation
Management should develop a sound and clear maintenance and operational strategy for the period during which sections of the Palais des Nations will have been already renovated while other connected sections will still be under construction. The experience of the Facilities Management Section needs to be considered in the development of this strategy.	Under implementation
Management should update and calculate the applicable and potential rental income of premises based on current contracts, data and realistic assumptions, taking into account the number of relocating staff, appropriate rental cost (using the arm's length principle) and an updated funding key for the Office of the United Nations High Commissioner for Human Rights.	Under implementation
Management should develop a detailed valorization strategy for all parcels with valorization potential.	Under implementation